New Issue

file

$1,250,000

I.T.L. Industries Limited

6½% Convertible Sinking Fund Debentures 1967 Series

Prospectus

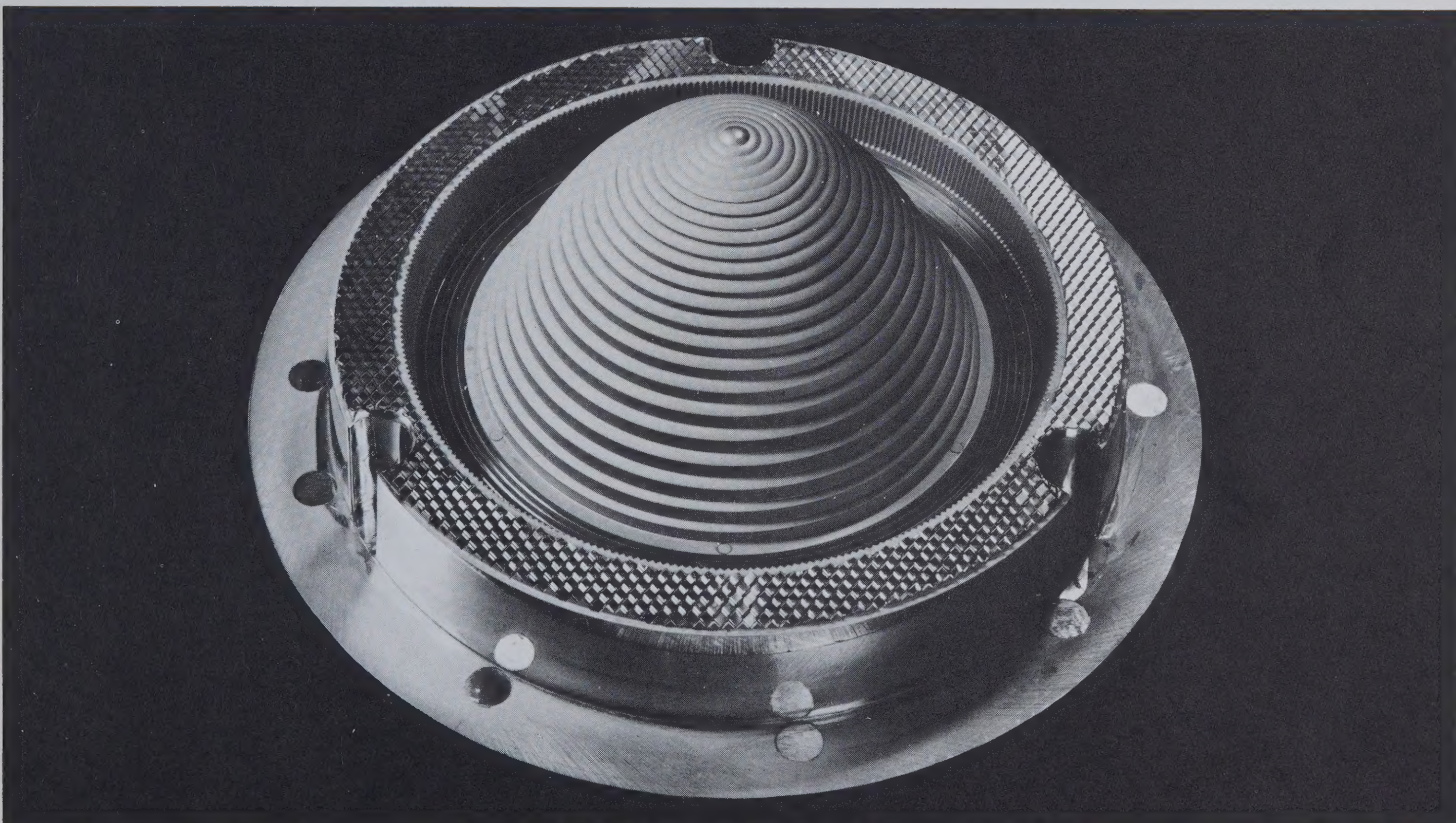
Gairdner & Company Limited

320 Bay Street
Toronto

Calgary Charlottetown Edmonton Halifax Hamilton Hong Kong
Kingston Kitchener London Moncton Montreal New York
Ottawa Quebec St. Catharines Vancouver Windsor Winnipeg

I.T.L.

INDUSTRIES LIMITED



ANNUAL REPORT 1967

CORPORATE DIRECTORY

DIRECTORS

C. A. Bell, Q.C. | J. S. Gairdner | J. H. Hawke | Peter Hedgewick | F. N. Heuchan | R. W. Keeley, K.S.G., K.M. | Herbert Young

OFFICERS

President	Peter Hedgewick
Vice President	J. H. Hawke
Vice President (Sales)	A. Hyatt
Vice President (Engineering)	R. D. Balint
Vice President (Manufacturing)	N. Lewchuk
Vice President (Finance) and Treasurer	R. W. Braithwaite
Secretary	C. A. Bell, Q.C.

AUDITORS

Stephens, McLean & Company — Windsor, Ontario

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited — Montreal, Toronto, Winnipeg, Calgary, Vancouver

THE I.T.L. GROUP OF COMPANIES

I.T.L. Industries Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
International Tools, Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
International Tools (U.K.) Limited	Halifax Road, Cressex Industrial Estate High Wycombe, Buckinghamshire
Modelcraft Division of I.T.L. Industries Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
Reflex Corporation of Canada Limited	P.O. Box 1180 Amherstburg, Ontario
Wheatley Manufacturing Ltd.	2590 Ouellette Ave. Windsor, Ontario
	963 Martingrove Ave. Rexdale, Ontario
	747 Halpern Ave. Dorval, Quebec
Wheatley Economy Die Sets Inc.	1627 West Fort St. Detroit, Michigan

HIGHLIGHTS

	1967	1966
Profit before taxes	$1,232,085	$1,040,036
Income tax	601,543	359,144
Net profit, after taxes	630,542	680,892
Net profit per share, after payment of preferred dividends	37¢	45¢*
Preferred dividends paid	79,434	80,657
Common dividends paid	242,608	220,000
Effective common dividend rate per share	20¢	16.7¢*
Earned surplus	1,117,013	833,741
Preference Shares outstanding	48,000	49,000
Common Shares outstanding	1,483,122	1,320,000*

*Adjusted to reflect three-for-one stock split in 1967

Cover photo: Stainless steel mould core, containing reflective element for producing plastic automotive reflective tail light lenses.

REPORT TO THE SHAREHOLDERS

Peter Hedgewick, President

Sales for the year ended November 30, 1967, established a new high of $8,237,673, a gain of 30 per cent over the preceding year. The major portion of sales was made by International Tools, Limited, a wholly-owned subsidiary, and profits of this subsidiary were taxed at a higher rate than in the prior year. As a result, although consolidated earnings before taxes were $1,232,085, (an increase of 18 per cent over the preceding year), taxes on consolidated earnings amounted to $601,543 or 49 per cent compared with $359,114 (35 per cent) a year earlier.

Net earnings, after taxes, were $630,542 or 37 cents per share compared with $680,892 or 45 cents per share in 1966. For comparative purposes, 1966 earnings per share have been restated to reflect a three-for-one stock split. During the current year, there was a further increase in issued and outstanding common shares caused by the conversion of approximately 70 per cent of the Company's 6½% Convertible Sinking Fund Debentures 1967 Series.

After-tax profits did not parallel the gain in sales because of increased taxes payable. We expect the Company to be in a similar tax position during the coming year. However, we do anticipate a very substantial gain in net after-tax profits.

Dividends totalling $79,434 were paid to holders of the Company's 6½% cumulative redeemable preference shares, Series A, and a further $25,000 was set aside for the purchase of preference shares for cancellation. As at November 30, 1967, a total of 2,000 such shares had been purchased for this purpose.

After giving effect to the three-for-one stock split, dividends on the common shares were increased to 5 cents on a quarterly basis, establishing an effective annual rate of 20 cents per share, an increase of 3.3 cents per new share over the prior annual rate.

Subsequent to year end, I.T.L. acquired all of the outstanding shares of Wheatley Manufacturing Ltd., and its subsidiaries for $2,160,000. Wheatley is the major supplier of die sets to the tool making industry and forms an important adjunct to the operations of International Tools, Limited.

"PALM-N-TURN" safety caps and vials for prescription drugs are gaining wide acceptance in Canada and the United States as well as in other countries where manufacturers have been licensed. Research is in the late development stage to adapt the "PALM-N-TURN" to the packaging of other potentially poisonous products, and to develop a liquid-tight closure.

Through our head office in Canada, licensed distributors and manufacturers have been, or are being, set up in the United States, England, Australia and South Africa.

Overall operations progressed satisfactorily throughout the year and your Directors are confident that favourable trends will continue during the coming year.

We acknowledge the loyalty and support of employees, associates and shareholders to whom we express our sincere appreciation.

On behalf of the Board of Directors,

April 5, 1968

PETER HEDGEWICK
President

OPERATIONS

INTERNATIONAL TOOLS, LIMITED

I.T.L.'s main operating subsidiary, International Tools, Limited, experienced gratifying results on record sales and production of permanent steel moulds for plastic components and parts for the automotive industry. The Company holds several patents for reflectors which are used in automotive lenses.

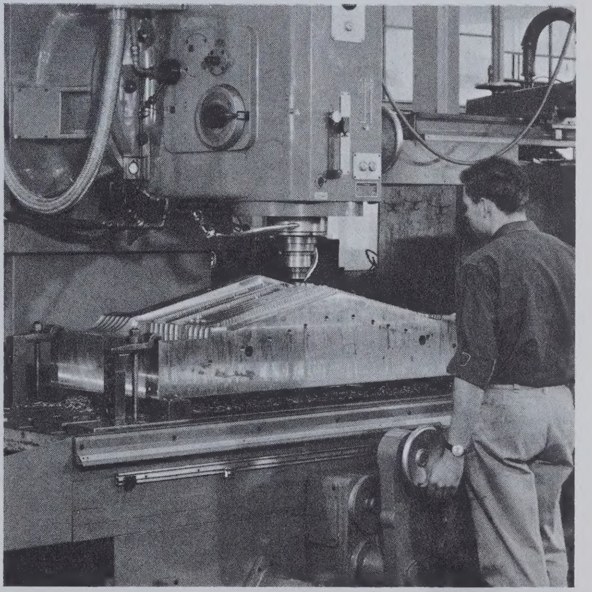
Labour disruption at a customer's plant in the Fall of 1967 adversely affected shipments during our fourth quarter although work progressed through the plant and inventory was increased during this period. At year end, the backlog of sales amounted to $4,000,000 going into fiscal 1968.

During the year under review, a 20,000 square foot addition to the Windsor plant was completed to house new machinery and a ten ton crane bay.

Present indicators point to a record 1968-69 model year for automobile manufacturers, and consequently, sales and earnings are expected to increase accordingly at International Tools, Limited.

Since International Tools, Limited was established in 1945, it has grown to be one of the largest producers in the world of permanent steel moulds for the plastics industry. A high degree of skill and precision is necessary to manufacture moulds to extremely close tolerances from top quality tool steel capable of withstanding the great pressures to which these moulds are subjected. International Tools has consistently adhered to the highest possible standards of manufacture, service and delivery. As the plastics industry continues to exhibit its amazing growth patterns, International Tools will continue to demonstrate its leadership abilities.

Automatic copy milling machine, a recent addition to plant equipment



WHEATLEY MANUFACTURING LTD.

Wheatley Manufacturing Ltd. manufactures and supplies die sets and steel plates to the toolmaking trade and manufacturing industries. Its related services include heat treating and custom torch cutting to scale utilizing photo electric tracing and cutting equipment. The Company's trade names are well known, and it holds patent rights for quality die sets.

In addition to its main plant in Windsor, a branch plant and warehouse is operated in Toronto as well as a warehouse and sales office in Montreal. A subsidiary, Wheatley Economy Die Sets Inc. of Detroit handles U.S. sales.

International Tools has become a major Wheatley customer. Wheatley does not compete with companies like International Tools, but rather provides basic products and services to the toolmaking trade at attractive prices because of its large capacity of specialized equipment and production processes. The Windsor plant is currently being expanded to provide for additional warehouse space and extra crane bays.

The Wheatley group of companies has enjoyed over twenty-five successful years of operations and we have every reason to believe that its continued growth and profitability is assured.

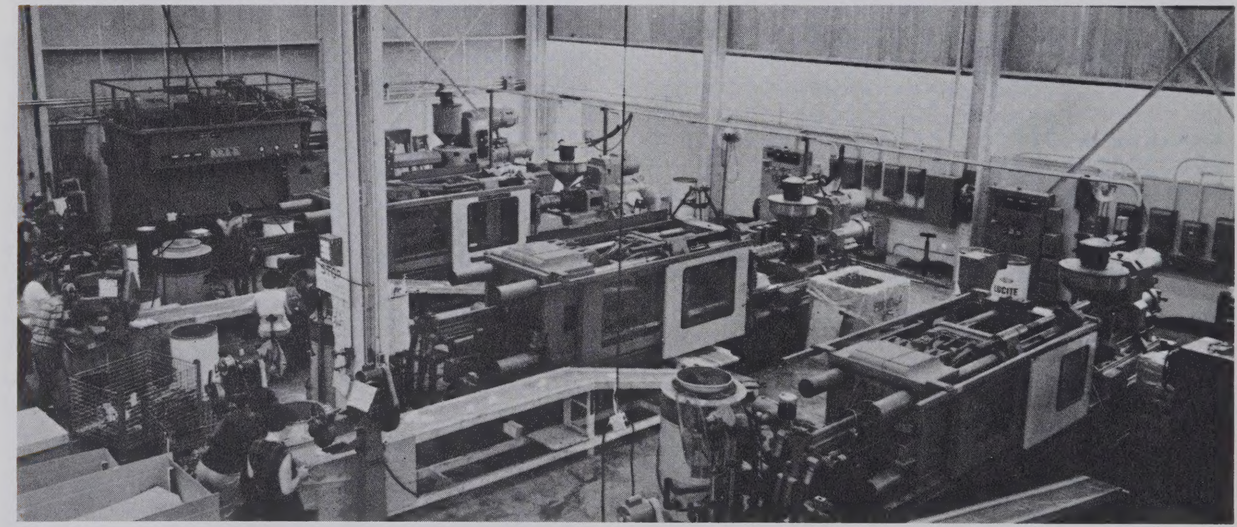
REFLEX CORPORATION OF CANADA LIMITED

Reflex produces plastic products for the automotive industry as well as "PALM-N-TURN" containers for prescription drugs. Its plant in Amherstburg, Ontario, completed last year, has been operating on three shifts to maintain delivery schedules. A series of events including moving into the new plant in the spring of 1967, startup procedures and a strike in the automobile industry during the latter part of the year influenced year end results at Reflex.

"PALM-N-TURN" has continued to capture the attention of the public. Pharmacists in many parts of Canada, and particularly south western Ontario are using "PALM-N-TURN" for prescription packaging. Medical and pharmaceutical associations throughout the country have passed resolutions endorsing the use of safety packaging for prescription drugs and the Government of Canada has formed a committee to help establish regulations for the safe packaging of drugs and other household products.

Public emphasis on automotive safety has increased the demand for other products of Reflex, such as collapsible steering columns, safety arm rests and side reflectors. Side reflectors have created a brand new application for Reflex products. The Company presently holds several patents on its reflective lenses, and as a result of further technological advancements, has applied for additional patents on recent developments in the design and engineering of Reflex automotive reflectors.

Reflex Corporation is a young addition to the growing I.T.L. family, but it has already demonstrated an earnings potential that virtually ensures its future profitability.



Injection moulding machines at Reflex

MODELCRAFT DIVISION

The Modelcraft Division of I.T.L. produces precision-made wood models, wood and metal patterns and plastic models with a variety of end uses. Its self-contained plant in Windsor is equipped with the most up-to-date machines and facilities to produce high-quality prototypes for International Tools and other manufacturers. A staff of skilled craftsmen take pride in their exacting workmanship.

This Division enjoys excellent acceptance among its customers and has a favourable growth potential. While Modelcraft's production represents a relatively modest portion of total sales, its value as a producer of master models adds an important dimension to our overall operations.

Precision work at Modelcraft

MED-A-SAFE INC.

Pilot production is underway at the California plant with a substantial backlog of Palm-N-Turn units on order. An additional set of tools has been delivered to Tennessee and production has already begun in that area. Plans include the establishment of a full production facility in Tennessee to provide distribution in the central and eastern United States.

Med-A-Safe was instrumental in obtaining U.S. Government approval for Palm-N-Turn purchases by the U.S. Defense Department. The Department of the Army conducted tests on child resistant containers at Madigan General Hospital in Tacoma, Washington, in which 292 of the 300 children in the test group (aged 9 months to 11 years) were unable to open the Palm-N-Turn container without a demonstration. The results of these tests were published in PEDIATRICS, a U.S. medical journal.

At least one major United States drugstore chain has adopted Palm-N-Turn containers for prescription filling.

During the year, I.T.L. Industries Limited acquired a 23 per cent interest in Med-A-Safe Inc. in addition to the existing licensing agreement. We anticipate that the American market will grow proportionately larger and faster than any other geographical area of distribution.

Child resistant PALM-N-TURN

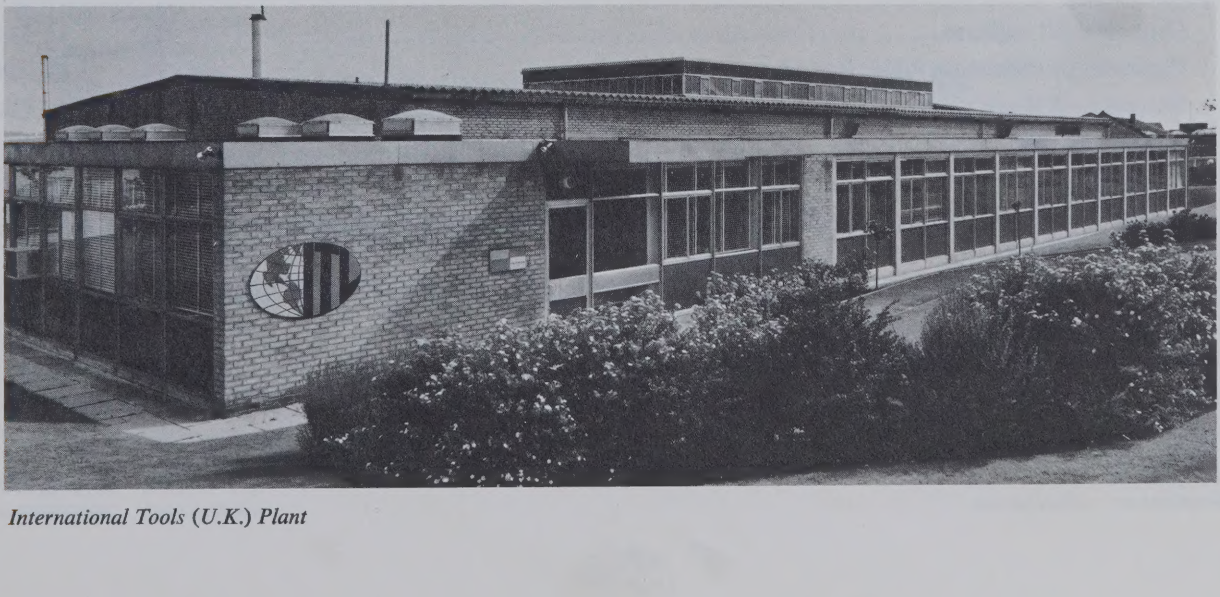
INTERNATIONAL TOOLS (U.K.) LTD.

Total U.K. business doubled in 1967, even after taking into account devaluation of the Pound Sterling which resulted in a 15 per cent loss on investment and a similar reduction in profits on conversion to Canadian dollars.

The acceptance of North American mould making methods in England moved ahead when major U.S. automobile makers established production facilities in the U.K. International Tools had been well established in the industrial tool and die field for many years, and has recently branched into tooling contracts for automotive products particularly for safety reflectors on which it holds several patents. The expanded automotive market will permit the company to follow more closely the operational patterns of International Tools in Canada.

The Company has acquired a larger plant in High Wycombe and expects to take occupancy by mid summer.

The reputation of the company in the United Kingdom is growing.



International Tools (U.K.) Plant

I.T.L. INDUST
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CONSOLIDATED

As at Nove
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ASSETS

	1967	1966
Current:		
Cash	$ —	$ 11,020
Accounts receivable	2,213,783	1,473,404
Inventories of materials, work in process and finished goods (Note 2)	1,427,958	1,210,535
Prepaid expenses	38,222	27,778
Mortgage receivable—6%	1,216	—
Total Current Assets	3,681,179	2,722,737
Mortgage receivable—6%	—	2,900
Federal refundable tax	39,798	22,933
Investment in and advances to associated companies, at cost	25,000	25,000
Fixed:		
Lands, buildings, machinery, equipment and leasehold improvements (Note 3)	4,812,106	3,895,437
Less: Accumulated depreciation	1,206,078	938,690
	3,606,028	2,956,747
Sundry deposits	31,096	—
Other:		
Organization expense	12,295	11,535
Expenses of debenture issue, less amount written off	106,119	42,326
Expenses of share issue	114,738	106,434
Patents, at cost	32,785	12,207
	265,937	172,502
Excess of cost of shares of subsidiaries over net book value of assets acquired	126,170	126,170
	$7,775,208	$6,028,989

Approved on behalf of the Board.

Peter Hedgewick, Director.

C. A. Bell, Director.

RIES LIMITED
bsidiaries

BALANCE SHEET

ber 30, 1967

figures for 1966)

LIABILITIES

	1967	1966
Current:		
Bank loans and overdrafts, secured (Note 5)	$ 271,042	$ 626,864
Accounts payable and accrued liabilities	891,162	584,982
Current portion of long term liabilities	110,000	84,500
Income taxes (Note 4)	395,401	96,459
Federal refundable tax	8,230	—
Total Current Liabilities	1,675,835	1,392,805
Long term:		
Debentures and mortgage payable (Note 6)	2,020,500	1,668,942
Less: Current portion	110,000	84,500
	1,910,500	1,584,442
Total Liabilities	$3,586,335	$2,977,247

SHAREHOLDERS' EQUITY

	1967	1966
Capital Stock:		
Authorized—		
200,000 Preference Shares with a par value of $25. each, issuable in series, less 2,000 shares purchased and cancelled (Note 7)		
3,000,000 Common Shares without par value		
Issued and fully paid—		
48,000 6½% Cumulative Redeemable Preference Shares, Series A, redeemable at par (Note 7)	$1,200,000	$1,225,000
1,483,122 Common Shares (Note 7)	1,867,000	990,000
	3,067,000	2,215,000
Retained Earnings	1,117,013	833,741
Contributed Surplus	4,860	3,001
	4,188,873	3,051,742
	$7,775,208	$6,028,989

I.T.L. INDUSTRIES LIMITED
and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the year ended November 30, 1967
(*with comparative figures for 1966*)

	1967	1966
Sales	$8,237,673	$6,316,411
Cost of sales including selling, general and administrative expenses	6,524,322	4,878,215
Profit before the following deductions	1,713,351	1,438,196
Depreciation	296,360	238,538
Amortization of expenses of debenture issue	5,930	2,444
Interest on long term liabilities	129,072	105,303
Interest on current liabilities	39,404	41,375
Directors' fees and expenses	10,500	10,500
	481,266	398,160
Profit before income taxes	1,232,085	1,040,036
Income taxes (Note 4)	601,543	359,144
Net Income	$ 630,542	$ 680,892

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended November 30, 1967
(*with comparative figures for 1966*)

		1967	1966
Balance, at beginning of year		$ 833,741	$ 771,635
Less: Deficit of subsidiary acquired in year		—	11,006
Loss on advances to and investment in Hamilton Automotive Trim Limited		25,228	307,123
		25,228	318,129
		808,513	453,506
Add: Net income for the year		630,542	680,892
		1,439,055	1,134,398
Less: Dividends paid—preference	$ 79,434		
—common	242,608	322,042	300,657
Balance, at end of year		$1,117,013	$ 833,741

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

For the year ended November 30, 1967
(*with comparative figures for 1966*)

	1967	1966
Balance, at beginning of year	$ 3,001	$ —
Add: Surplus realized on the purchase of preference shares for cancellation	1,859	3,001
Balance, at end of year	$ 4,860	$ 3,001

I.T.L. INDUSTRIES LIMITED
and its subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended November 30, 1967

Funds were obtained from:		
Operations:		
Net profit for year	$ 630,542	
Charges to operations not affecting working capital—Depreciation	296,360	
Amortization of expenses of debenture issue	5,930	$ 932,832
Proceeds from 1967 Series debenture issue		1,250,000
Proceeds from mortgage payable		250,000
Proceeds from mortgage principal received and due in year		2,900
Proceeds from disposal of fixed assets		354,809
Surplus realized on the purchase of preference shares for cancellation		1,859
		2,792,400
Funds were applied to:		
Additions to fixed assets	$1,300,450	
Debenture debt due in year	80,000	
Mortgage principal paid and due in year	216,942	
Expenses of share issue	8,304	
Federal refundable tax	16,865	
Deferred patent expense	20,578	
Expenses of 1967 Series debenture issue	69,723	
Organization expense	760	
Dividends paid	322,042	
Advances in year to Hamilton Automotive Trim Limited written off to retained earnings	25,228	
Sundry deposits	31,096	
Purchase of preference shares for cancellation	25,000	2,116,988
Increase in working capital		$ 675,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 1967

1. *Principles of consolidation:*

The accounts of International Tools (U.K.) Limited are included, as to current assets and current liabilities, at the rate of exchange on November 30, 1967; as to fixed assets and accumulated depreciation, at the average rate during the period of acquisition; as to earnings, at the average rate for the year.

2. *Basis of inventory valuation:*

Inventories are valued as to materials and stores, at the lower of cost or replacement cost and as to labour and work done by others at actual cost. A summary of the inventories is as follows:

Raw materials and stores	$ 239,984
Work in process	1,046,538
Finished goods	141,436
	$1,427,958

3. *An analysis of fixed assets and accumulated depreciation is as follows:*

	Fixed Assets	Accumulated Depreciation
At cost:		
Lands	$ 58,723	$ —
Buildings and parking areas	1,125,054	186,088
Machinery and equipment	2,379,953	658,862
Leasehold improvements	5,181	2,664
	3,568,911	847,614
At depreciated appraisal values:		
Machinery and equipment of International Tools, Limited at replacement value less accumulated depreciation as determined by Canadian Appraisal Company Limited as at October 31, 1963	1,243,195	358,464
	$4,812,106	$1,206,078

The excess of depreciated replacement value of fixed assets over depreciated cost, amounting to $637,589, by reason of the appraisal referred to above appears in the accounts of International Tools, Limited and forms a part of the consideration for the common shares issued by I.T.L. Industries Limited for the acquisition of the shares of International Tools, Limited.

4. *Income Taxes:*

Income taxes have been calculated on the basis of the intention to claim capital cost allowances which exceed depreciation provided in the accounts. As a result the total taxes otherwise payable for the period have been reduced by approximately $46,800. The cumulative amount by which taxes otherwise payable have been reduced is $450,400.

5. *Bank loans and overdrafts:*

Bank loans and overdrafts are secured by a general assignment of book debts.

6. *Long term liabilities:*

	1967	1966
(secured by first mortgage and floating charge over assets) 6.20% Secured Sinking Fund Debentures, Series A, maturing June 15, 1984. Sinking fund payments of $50,000 are required annually until maturity.....	$ 850,000	$ 900,000
6.50% Secured Sinking Fund Debentures, Series B, maturing December 15, 1985. Sinking fund payments of $30,000 are required annually until maturity.	570,000	600,000
7% mortgage due July 30, 1985. Payments totalling $16,157 including principal and interest are required annually until maturity........................	—	168,942
10% mortgage due February 1, 1972. Principal payments of $30,000 plus interest are required annually..	227,500	—
6½% Convertible Sinking Fund Debentures 1967 Series, dated May 1, 1967 maturing May 1, 1987. The company may at any time redeem before maturity all outstanding debentures on thirty days notice at 106.5% on or before May 1, 1972, decreasing .5% per annum to May 1, 1984, after which date they are redeemable at par. Sinking fund payments of $62,500 are required annually beginning May 1, 1973 to May 1, 1986 inclusive. For details of conversion privilege see Note 7, below..	373,000	—
	$2,020,500	$1,668,942

7. *Common Shares:*

Under the terms of the issue of the 6½% Convertible Sinking Fund Debenture 1967 Series, each $1,000 debenture was convertible into

62 common shares on or before May 1, 1971;
57 common shares on or before May 1, 1973;
50 common shares on or before May 1, 1975;
45 common shares on or before May 1, 1977.

By supplementary letters patent dated October 26, 1967, each issued and unissued common share without par value of the company was subdivided into three shares without par value.

During the year the company issued 163,122 of the subdivided common shares in Conversion of $877,000 6½% Convertible Sinking Fund Debentures 1967 Series. A further 68,378 common shares of the authorized 3,000,000 common shares are reserved against conversion of the $373,000 1967 Series Debentures outstanding at November 30, 1967.

The increase in issued and outstanding common shares, and the consideration received, is as follows:

	No. of Shares	Consideration Received
November 30, 1966—Issued and outstanding............................	440,000	$ 990,000
Additional shares issued on subdivision..................................	880,000	—
Shares issued in conversion of $877,000 1967 Series Debentures............	163,122	877,000
November 30, 1967—Issued and outstanding..........................	1,483,122	$1,867,000

Preference Shares:

The preference, rights, conditions, restrictions, limitations and prohibitions attached to the Series A Preference Shares require that, commencing in 1966 the company set aside on or before the first day of March in each year the sum of $25,000 as a purchase fund for the purchase of such shares for cancellation. At November 30, 1967 2,000 shares had been purchased and cancelled, of which 1,000 shares were purchased during the year under review.

8. *Commitments and transactions:*

On January 31, 1968 the company acquired all of the outstanding shares of Wheatley Management Limited and Wheatley Economy Die Sets Inc. for $2,160,000 in cash. Subsequent to the balance sheet date, Reflex Corporation of Canada Limited purchased a 23% interest in the issued capital stock of Med-A-Safe Inc. for $54,970 U.S. funds which was paid by way of a deduction from the cost of tools supplied by Reflex Corporation Canada Limited to Med-A-Safe Inc. At the same time Reflex Corporation of Canada Limited, together with all other shareholders of Med-A-Safe Inc., jointly and severally guaranteed advances of $250,000 to that company by City National Bank.

Commitments for additions to fixed assets, not reflected in the financial statements, amounted to $210,000 as at November 30, 1967.

AUDITORS' REPORT

To the Shareholders,
I.T.L. INDUSTRIES LIMITED

We have examined the consolidated balance sheet of I.T.L. Industries Limited and its subsidiaries as at November 30, 1967 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements, with the notes thereto, present fairly the financial position of the companies as at November 30, 1967 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STEPHENS, MCLEAN & CO.
Chartered Accountants.

Windsor, Ontario
February 23, 1968

I.T.L. INDUSTRIES LIMITED

International Tools, Limited, Windsor

Reflex Corporation of Canada Limited, Amherstburg

Wheatley Manufacturing Ltd., Windsor

Wheatley Manufacturing Ltd., Rexdale

PRINTED IN CANADA

This prospectus is not, and under no circumstances is to be construed as, a public offering of any of these securities for sale in the United States of America or in the territories or possessions thereof.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

New Issue

$1,250,000
I.T.L. Industries Limited

6½% Convertible Sinking Fund Debentures 1967 Series

To be dated May 1, 1967 **To mature May 1, 1987**

The 1967 Series Debentures will be secured by a floating charge, subject to certain prior security. Particulars concerning such floating charge and such prior security are more fully set out on page 9 of this prospectus.

The Company will provide a sinking fund sufficient to retire, in each of the years 1973 to 1986, 5% of the original principal amount of the 1967 Series Debentures which together with the payment of $375,000 principal amount at maturity will retire the 1967 Series Debentures in full. Particulars concerning the sinking fund are more fully set out on page 15 of this prospectus.

The 1967 Series Debentures will be redeemable on the bases set out on page 11 of this prospectus.

The 1967 Series Debentures will be convertible at the option of the holder at any time prior to the close of business on May 1, 1977 or on the third business day immediately preceding the date fixed for redemption of the 1967 Series Debentures, whichever is earlier, into fully paid Common Shares without par value in the capital of the Company, as constituted at the date hereof, on the following bases:

At the rate of 62 Common Shares per $1,000 principal amount of 1967 Series Debentures, if converted on or before May 1, 1971; and thereafter at the rate of 57 Common Shares per $1,000 principal amount of 1967 Series Debentures, if converted on or before May 1, 1973; and thereafter at the rate of 50 Common Shares per $1,000 principal amount of 1967 Series Debentures, if converted on or before May 1, 1975; and thereafter at the rate of 45 Common Shares per $1,000 principal amount of 1967 Series Debentures, if converted on or before May 1, 1977.

Particulars concerning the conversion privilege are more fully set out on page 11 of this prospectus.

	Price to Public (1)	Underwriting Discount	Proceeds to Company (1) (2)
Per Unit	$100	$4	$96
Total	$1,250,000	$50,000	$1,200,000

(1) Plus accrued interest if any to the date of delivery.
(2) Before deducting expenses payable by the Company estimated not to exceed $20,000.

Trustee: National Trust Company, Limited

We, as principals, offer these 1967 Series Debentures subject to prior sale and change in price, if, as and when issued by the Company and subject to the approval of all legal matters on behalf of the Company by Messrs. Bell & MacEachern, Windsor, and on our behalf by Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto.

It is expected that 1967 Series Debentures in definitive form will be available for delivery on or about May 1, 1967.

Table of Contents

THE COMPANY

I.T.L. Industries Limited (the "Company") was incorporated under the laws of the Province of Ontario by letters patent dated December 4, 1963. The address of the head office of the Company where the principal manufacturing facilities of the Company are located is Huron Line at Malden Road, Windsor, Ontario, and the post office address is P.O. Box 68, Sandwich Postal Station, Windsor, Ontario. The Company was incorporated with an authorized capital consisting of 500,000 shares without par value. By supplementary letters patent dated January 24, 1964 the Company was converted to a public company, the said 500,000 shares without par value were designated as Common Shares without par value and the authorized capital of the Company was increased to 200,000 Preference Shares with a par value of $25 each, issuable in series of which 50,000 shares were issued as the first series of Preference Shares designated as 6½% Cumulative Redeemable Preference Shares, Series A, and 1,000,000 Common Shares without par value (including the first mentioned 500,000 shares which were designated as Common Shares). The authorized capital of the Company now consists of 199,000 Preference Shares with a par value of $25 each, issuable in series, of which 49,000 shares, designated 6½% Cumulative Redeemable Preference Shares, Series A are outstanding as fully paid and non-assessable and 1,000,000 Common Shares without par value of which 440,000 shares are outstanding as fully paid and non-assessable.

The Company owns all the outstanding shares of International Tools, Limited ("International"), Reflex Corporation of Canada Limited ("Reflex") and Palm-N-Turn Company ("Palm-N-Turn"). The Company also owns 75% of the outstanding shares of Hamilton Automotive Trim Limited ("H.A.T."). International owns all the outstanding shares of International Tools (U.K.) Limited ("U.K."). Each of the companies aforesaid is hereinafter referred to under the appropriate heading.

The Company, in addition to its operations carried on through subsidiaries manufactures, in its Modelcraft Division, patterns and wood and plastic models used in the manufacture of moulds by subsidiaries and by other companies.

Through International and U.K. the Company is an important supplier of moulds used for injection and compression moulding of plastic products, mainly for the automobile manufacturing industry in Canada, the United States of America, and the United Kingdom.

Through Reflex, the Company has become a manufacturer of plastic products used in automobile manufacture and plastic vials used in medicinal drug packaging. It is presently proposed that Reflex will license Palm-N-Turn to manufacture and distribute in the United States the plastic vials used in medicinal drug packaging.

Palm-N-Turn has not commenced business as yet. H.A.T. is in receivership.

INTERNATIONAL TOOLS, LIMITED

International Tools, Limited ("International") was incorporated on April 1, 1947, to assume the business of a previously existing partnership.

Originally started as a tool, die and stamping shop, International is now, and has been for some years, exclusively engaged in the fabrication of moulds, many of which are used in the injection or compression moulding of plastics. International has been instrumental in developing many new types of moulds. Many of International's customers are other manufacturing companies which fabricate products either entirely made of plastics, or incorporating component parts made of plastics.

The manufacture of permanent steel moulds for the die casting industry is also an important segment of International's business.

MOULD MANUFACTURING

Moulds must be manufactured to extremely close tolerances from high quality tool steel able to withstand the great pressures to which the moulds are subjected. The steel must be clean and free from all inclusions. Owing to the degree of precision required, highly skilled labour and close attention to detail are required. Much of the work on certain types of moulds is done almost entirely by engravers. Because the companies which purchase the moulds usually have strict production schedules of their own to meet, it is highly important that the mould manufacturer be able to meet its delivery commitments on time.

Since making its first plastic injection mould in 1947, International has consistently adhered to the

highest possible standards of manufacture and delivery. Modern production techniques and equipment are used and production is carefully scheduled to meet customer requirements.

Moulds manufactured by International fall into four categories. The first or general category includes moulds for the production of almost any item capable of being injection moulded in plastic. Such moulds are used in the manufacture of parts for automotive trim and household appliances, furniture, housewares and model car kits. The second category consists of compression moulds designed to produce parts for car heaters and electrical apparatus. The third category consists of moulds used in the manufacture of lenses for tail lights and parking lights of automobiles. The manufacture of such moulds includes some highly specialized processes which must be carried out under carefully controlled conditions. This is necessary to ensure that the finished lenses will meet the required SAE (Society of Automotive Engineers) standard of reflectivity. International is the only Canadian manufacturer capable of making certain components used in these moulds. Constant research is carried on by International in this highly specialized lens moulding field. The fourth category consists of moulds used in the production of heavy aluminum castings.

MANUFACTURING FACILITIES

Located in Windsor, Ontario, International's plant consists of three buildings, totalling approximately 57,000 square feet on 9½ acres of land. The main factory is a modern brick building of approximately 45,000 square feet which was constructed in 1957 and enlarged in 1960, 1962 and 1965. Mould manufacturing facilities and administrative offices are contained in this building. Immediately adjacent to the main building is a specialized machine shop which accommodates the electrical discharge department. Electric discharge machines (EDM) are a recent addition to conventional machine shop methods of manufacturing moulds. Generally speaking, EDM are used to produce moulds of complicated design using tungsten carbide electrodes to fashion the more difficult parts of the steel mould.

The third building accommodates the Company's Modelcraft Division and also contains facilities for the production of patterns and models which are required with the majority of orders.

Plant equipment is modern and, in the opinion of management of the Company, in excellent condition. In the period from January 1, 1961, to November 30, 1966, International's net capital expenditures on plant and equipment have amounted to approximately $1,700,000.

International has a staff of approximately 400 people, of which 350 are employed in production, most of whom are skilled craftsmen. To ensure a constant supply of skilled labour, International maintains an apprentice program which currently has an enrolment of 107. This five-year program includes classroom instruction as well as machine shop training and was designed with the co-operation of the Ontario Department of Labour.

INTERNATIONAL TOOLS (U.K.) LIMITED

International Tools (U.K.) Limited ("U.K.") is a wholly-owned subsidiary of International located about 40 miles from London in High Wycombe, Buckinghamshire, England. With a new plant of 8,500 square feet constructed in 1966 and about 40 employees, U.K. conducts a profitable business very similar to that of International, on a reduced scale.

HAMILTON AUTOMOTIVE TRIM LIMITED

The Company acquired a controlling interest in Hamilton Automotive Trim Limited ("H.A.T.") in June, 1965. H.A.T. has been a manufacturer of vinyl seat covers for automobiles and an upholsterer of auto seat springs. At the time of acquisition, H.A.T. had been showing a modest loss on its operations but it was felt the infusion of new capital and management, together with the Canada-U.S. auto pact agreement, would provide H.A.T. with opportunities for profitable growth. Results proved to be different, however, and in the past two years operating losses have been $52,738 and $157,019 respectively. To avoid further losses, it has been decided to discontinue H.A.T.'s established lines of business. Since the date of the financial statements included in this prospectus, the building located in Hamilton belonging to the Company and leased to H.A.T. and a substantial amount of the machinery have been sold. The Company has written off its investment and advances up to November 30, 1966 in H.A.T. and any additional losses are expected to be nominal.

REFLEX CORPORATION OF CANADA LIMITED

Reflex Corporation of Canada Limited ("Reflex"), a wholly-owned subsidiary of the Company, was incorporated under the laws of Canada on August 18, 1965. Reflex recently occupied a new plant of 23,000

square feet on 8.7 acres of land in Amherstburg, Ontario, about 20 miles southwest of Windsor. The total cost of the plant when equipped will exceed $500,000. Reflex has given a mortgage on its Amherstburg property for $250,000 which has been guaranteed by the Company. Reflex is primarily a manufacturer of custom moulded plastic products for the automobile industry. Reflex manufactures the plastic component of "collapsible" arm rests, together with a number of reflective products including lenses for tail and parking lights, side reflectors, and Safe-T-Flectors, which are reflective rings that fit around headlights.

Reflex has developed a safety plastic vial for medicines and drugs packaged in tablet or capsule form which has been acclaimed as an important development in preventing serious injury to children through the accidental consumption of medicines and drugs. The plastic vial is called Palm-N-Turn and requires pressure and turning action before the cap will release.

PALM-N-TURN COMPANY

To exploit the U.S. market, Palm-N-Turn Company was incorporated in Michigan on October 3, 1966 and is a wholly-owned subsidiary of the Company. It is anticipated that Reflex will license Palm-N-Turn Company to produce and market the safety vials through various distributors throughout the United States and will receive royalties from Palm-N-Turn Company. The production and marketing of this safety vial is still in an early stage of development; however, management has good indications that it will become an extremely important source of revenue. Currently, orders total $750,000 which will be supplied by Reflex from Amherstburg. Applications for patents on the design of the safety vial have been made in the following countries: United States, Canada, France, Germany, Great Britain, Australia, Japan, Italy and Spain.

CURRENT SALES AND BUSINESS OUTLOOK

The majority of International's sales are made to large manufacturers in the United States and Canada. In addition to Windsor, International maintains sales representatives in Detroit and New York. International has currently some 60 active accounts, the majority of which are either automobile manufacturers or are suppliers to automobile manufacturers. At February 17, 1967, International's backlog of orders on hand amounted to $3,315,000; Reflex had orders on hand of approximately $2,850,000; orders on hand for U.K. would approximate $100,000, giving the Company and its subsidiaries a total order book of approximately $6,265,000.

SHAREHOLDING

On February 15, 1967, the ownership of the outstanding Common Shares of the Company was approximately as follows:

Hedgewick Enterprises Limited	255,000 shares
The Glengair Group Limited (through a subsidiary)	62,000 shares
Trustees for key employees of the Company	20,000 shares
Public shareholding	103,000 shares
	440,000 shares

All of the outstanding shares of Hedgewick Enterprises Limited are beneficially owned by Mr. Peter Hedgewick, the President and a director of the Company and his wife and children. Mr. J. S. Gairdner, a director of the Company, is the controlling shareholder, President and a director of The Glengair Group Limited and a director, officer and shareholder of Gairdner & Company Limited. Mr. J. H. Hawke, a director of the Company, is also a shareholder and director of The Glengair Group Limited and a shareholder, the President and a director of Gairdner & Company Limited. Gairdner & Company Limited, 320 Bay Street, Toronto, Ontario has entered into an underwriting agreement with respect to the securities offered by this prospectus which agreement is more fully detailed on page 9 hereof.

The Company purchased, in December, 1963, 2500 preference shares with a par value of $10 each and 700 common shares with a par value of $10 each (being all the outstanding shares) of International Tools, Limited from Hedgewick Enterprises Limited, and Gairdner, Son & Company Limited, jointly for $2,105,775, which sum was satisfied by the allotment and issue as fully paid and non-assessable of 339,900 shares (now Common Shares) of the Company, by the delivery by the Company of its promissory note for $155,000 and by payment of $1,186,000.

Peter Hedgewick, Charles Stephens and Charles A. Bell, Q.C. are trustees of 20,000 Common Shares for key employees of the Company. The said 20,000 Common Shares were acquired from Hedgewick Enterprises Limited. 3,350 of the said shares have been purchased by key employees and are held in trust for them and

16,650 such shares are held pending purchase by key employees. All the said shares are to be released on January 31, 1969. Any shares not purchased by key employees before such date will be returned to Hedgewick Enterprises Limited.

Hedgewick Enterprises Limited and a subsidiary (Glengair Investments Limited) of The Glengair Group Limited by virtue of their respective holdings of Common Shares of the Company and by virtue of a written agreement between them can elect or cause to be elected a majority of the directors of the Company. The said agreement may limit further issues of Common Shares of the Company.

No dividends were paid on any shares of the Company prior to April 1, 1964. On that date a dividend of 18¢ was paid on each of the outstanding 6½% Cumulative Redeemable Preference Shares, Series A of the par value of $25 each in the capital of the Company and a dividend of 5¢ per share was paid on each of the outstanding Common Shares of the Company. The Company has, since the said date, paid quarterly dividends on the said Series A Preference Shares at a rate of 6½% per annum up to and including April 1, 1967. In addition to the dividend on the Common Shares paid on April 1, 1964, the Company paid a further dividend of 5¢ on each of the outstanding Common Shares on July 2, 1964 and further dividends of 10¢ per Common Share on each of October 2, 1964, January 2, 1965, April 1, 1965 and August 1, 1965. The Company has paid dividends of 12½¢ per Common Share quarterly from October 1, 1965 up to and including the dividend payable on April 1, 1967.

77,500 Common Shares of the Company have been reserved for conversion of the 1967 Series Debentures.

DIRECTORS AND SENIOR OFFICERS

The following constitute the Board of Directors and senior officers of the Company:

CHARLES ADAMS BELL, Q.C. 2430 Gladstone Avenue Windsor, Ontario	Secretary and Director	Senior partner in Bell & MacEachern Barristers & Solicitors
JOHN SMITH GAIRDNER 1502 Lakeshore Road East Oakville, Ontario	Director	President The Glengair Group Limited Chairman Gairdner & Company Limited
PETER HEDGEWICK 2375 Windermere Road Windsor, Ontario	President and Director	President I.T.L. Industries Limited
FRED NORTON HEUCHAN 4025 Riverside Drive East Windsor, Ontario	Director	Retired Manufacturer
RICHARD WILLIAM KEELEY One Buckingham Drive Riverside, Ontario	Director	Retired Manufacturer
JOHN HOWARD HAWKE 65 Douglas Drive Toronto, Ontario	Director	President Gairdner & Company Limited
HERBERT YOUNG 3767 Victoria Blvd. Windsor, Ontario	Director	President Dominion Forge Company
RUDOLPH DOUGLAS BALINT 4275 Mount Royal Avenue Windsor, Ontario	Vice-President	Vice-President, Engineering I.T.L. Industries Limited
ROBERT WILLIAM BRAITHWAITE 3150 Dandurand Avenue Windsor, Ontario	Vice-President and Treasurer	Vice-President, Finance I.T.L. Industries Limited

Archibald Gordon Hyatt 266 Dormar Street Windsor, Ontario	Vice-President	Vice-President, Sales I.T.L. Industries Limited
Nicholas Lewchuk 2471 Mark Street Windsor, Ontario	Vice-President	Vice-President, Manufacturing I.T.L. Industries Limited

Remuneration

The by-laws of the Company contain the following provisions as to the remuneration of the directors:

"The remuneration to be paid to the directors shall be such as the board of directors shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer or employee of the Company who is also a member of the board of directors. The directors may also by resolution award special remuneration to any director undertaking any special services on the Company's behalf other than the routine work ordinarily required of a director by the Company and the confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Company."

The aggregate remuneration paid by the Company and its subsidiaries during the financial year ended November 30, 1966 to directors of the Company, as such, was $7,000; and to officers of the Company who individually received remuneration in excess of $10,000 per annum was $137,900. The aggregate remuneration to be paid or payable by the Company and its subsidiaries in the current financial year to directors of the Company, as such, is estimated at $7,000; and to officers of the Company who individually are entitled to receive remuneration in excess of $10,000 per annum is estimated at $150,000.

PURPOSE OF ISSUE

The net proceeds to be received by the Company from the sale of the 1967 Series Debentures, amounting to $1,180,000, after expenses of issue estimated not to exceed $20,000, will be used to reduce bank indebtedness which presently amounts to approximately $1,299,000; and $1,180,000 (being the estimated net proceeds to the Company from the sale of the 1967 Series Debentures) will be paid to National Trust Company, Limited, as Trustee under the Trust Indenture referred to under the heading "Details of the Offering" appearing on page 9 hereof, to be applied in reduction of bank indebtedness of the Company and its subsidiaries the balance of any such net proceeds not required for the said purpose to be returned to the Company and added to the working capital of the Company. It is estimated that the entire net proceeds will be used to reduce bank indebtedness.

I.T.L. Industries Limited

and its subsidiary companies

STATEMENT OF CONSOLIDATED EARNINGS
For the Eleven Fiscal Periods Ended November 30, 1966

Fiscal Period Ended	Sales	Earnings before depreciation, interest and taxes on income	Interest	Depreciation	Taxes on Income	Net Earnings
April 30, 1957	$1,050,562	$ 174,685	$ 13,259	$ 39,210	$ 52,845	$ 69,371
April 30, 1958	1,201,220	208,343	14,233	58,066	62,919	73,125
April 30, 1959	1,343,859	220,066	16,292	70,351	60,291	73,132
April 30, 1960	1,870,088	339,287	29,063	94,398	104,311	111,515
December 31, 1960 (eight months)	1,514,813	266,304	15,600	60,470	93,499	96,735
December 31, 1961	2,165,165	355,473	25,301	97,312	117,334	115,526
December 31, 1962	2,930,184	570,950	21,431	93,828	217,321	238,370
December 31, 1963	3,911,702	747,650	19,396	116,916	266,500	344,838
November 30, 1964 (eleven months)	4,548,842	1,107,879	47,097	122,875	454,375	483,532
November 30, 1965	5,760,487	1,299,060	82,115	189,060	360,962	666,923
November 30, 1966	6,316,411	1,425,252	146,678	238,538	359,144	680,892

NOTES:

1. The Company acquired all the outstanding shares of International Tools, Limited on December 23, 1963, and consequently the earnings prior to the said date are those of International Tools, Limited and its wholly-owned subsidiary, International Tools (U.K.) Limited.

2. Earnings for the year ended December 31, 1962, were reduced by a special provision for doubtful accounts of $100,000 which was not claimed as a deduction from income in calculating income tax. The account for which the provision was made has since been paid in full and the amount has been restored to surplus. In the above statement this amount has been added to earnings for the year.

3. Taxes on income have been assessed to November 30, 1965. The amount of taxes shown are in accordance with and agree in total with the assessments but have been allocated to the respective years in accordance with income.

4. For the fiscal periods up to and including December 31, 1962, depreciation was provided for at maximum rates permitted for income tax purposes, being on the reducing balance basis at rates per annum of 5% on buildings and 20% on machinery and equipment, representing the major portion of the depreciable assets. In periods subsequent to that date, depreciation has been provided for on the straight line basis at rates per annum of 2½% on buildings and 7½% on machinery and equipment.

AUDITORS' REPORT

To the Directors,
I.T.L. INDUSTRIES LIMITED.

We have examined the statement of consolidated earnings of I.T.L. Industries Limited and its subsidiary companies for the eleven fiscal periods ended November 30, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statement, with the notes thereto, presents fairly the consolidated earnings of the companies for the eleven fiscal periods ended November 30, 1966, in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods, except for the change in provision for depreciation explained in note 4, which change we approve.

Windsor, Ontario
March 30, 1967

(Signed) STEPHENS, McLEAN & CO.
Chartered Accountants.

CAPITALIZATION

(As at November 30, 1966 after giving effect to the proposed financing and the cancellation of 1,000 6½% Cumulative Redeemable Preference Shares, Series A)

	Authorized	Outstanding
6.20% Secured Sinking Fund Debentures, Series A due June 15, 1984	$1,000,000(1)	$ 900,000
6½% Secured Sinking Fund Debentures, Series B due December 15, 1985	$ 600,000(1)	$ 600,000
6½% Convertible Sinking Fund Debentures 1967 Series due May 1, 1987	$1,250,000(1)	$1,250,000
Other term debt		$ 168,942
Preference Shares with a par value of $25 each, issuable in series	199,000 shares	
6½% Cumulative Redeemable Preference Shares, Series A		49,000 shares
Common Shares without par value	1,000,000 shares(2)	440,000 shares

(1) Additional Secured Debentures and Additional Debentures may be issued without limit as to principal amount subject to restrictions in the respective trust indentures as summarized on pages 31 and 12 respectively of this prospectus.

(2) 77,500 Common Shares will be reserved against conversion of the 6½% Convertible Sinking Fund Debentures 1967 Series.

(3) The Company has guaranteed a mortgage dated February 1, 1967 in the amount of $250,000 given by Reflex Corporation of Canada Limited, a subsidiary.

DETAILS OF THE OFFERING

The Debentures

The $1,250,000 aggregate principal amount of 6½% Convertible Sinking Fund Debentures 1967 Series (herein sometimes called the "1967 Series Debentures") now proposed to be issued are to be direct obligations of the Company and are to be issued under a trust indenture (herein sometimes called the "Trust Indenture") to be dated as of April 15, 1967, and to be entered into between the Company and National Trust Company, Limited, as trustee (herein sometimes called the "Trustee"). The 1967 Series Debentures are to be issued as coupon Debentures in the denomination of $1,000 registered as to principal and as fully registered Debentures in denominations of $1,000 and authorized multiples of $1,000. The 1967 Series Debentures will be dated and will bear interest from May 1, 1967, and will mature May 1, 1987, and are, in the opinion of counsel, to be secured by a floating charge under the laws of the Province of Ontario on the undertaking and all property and assets of the Company in such province now owned or hereafter acquired, subject to an exception as to the last day of the term of any lease or agreement therefor and subject to the first fixed and specific mortgages over all real and immoveable property and fixed assets wheresoever situate, now owned or hereafter acquired by the Company and all shares of subsidiaries (as defined) now owned or hereafter acquired by the Company, and the first floating charge on the undertaking and all property and assets of the Company (other than assets subjected to the first mortgages aforesaid) now owned or hereafter acquired by the Company securing the 6.20% Secured Sinking Fund Debentures, Series A, the 6½% Secured Sinking Fund Debentures, Series B and any Additional Secured Debentures issued under and pursuant to the trust indenture dated as of June 1, 1964 made between the Company and Guaranty Trust Company of Canada, as trustee, as amended and supplemented by a first supplemental indenture dated as of December 1, 1965 and made between the same parties, as the same may be further amended or supplemented. Particulars of the security (including the security given by subsidiaries of the Company) and special covenants for the Secured Debentures are set out in Schedule A hereto.

Underwriting

The Company under date of March 30, 1967, entered into an agreement with Gairdner & Company Limited, as underwriter, whereby the Company agreed to sell and the underwriter agreed to purchase the $1,250,000 principal amount of the 1967 Series Debentures offered by this prospectus for an aggregate consideration of $1,200,000 plus accrued interest after May 1, 1967 payable in cash to the Company against delivery of the 1967 Series Debentures in definitive form on or about May 1, 1967, all upon the terms and conditions in the said agreement set forth.

Prior and Pari Passu Securities

Except as set forth below, the Company has no bonds, debentures or other securities outstanding or proposed to be issued which rank ahead of or pari passu with or which, if issued, will rank ahead of or pari passu with, the securities offered by this prospectus:

(a) Under a trust indenture (hereinafter sometimes called the "Secured Indenture") between the Company and Guaranty Trust Company of Canada, as trustee, dated as of June 1, 1964, as amended by a first supplemental indenture dated as of December 1, 1965, the Company has outstanding 6.20% Secured Sinking Fund Debentures, Series A (hereinafter sometimes called the "Series A Debentures") in the aggregate principal amount of $900,000 maturing June 15, 1984, and 6½% Secured Sinking Fund Debentures, Series B (hereinafter sometimes called "Series B Debentures") in the aggregate principal amount of $570,000 maturing December 15, 1985. The Series A Debentures and Series B Debentures are, and any Additional Secured Debentures issued under and pursuant to the Secured Indenture between the Company and Guaranty Trust Company of Canada as supplemented or amended, will be, secured as stated in Schedule A hereto and will rank ahead of the securities offered hereby by virtue of such security.

(b) A wholly-owned subsidiary of the Company, Reflex Corporation of Canada Limited (hereinafter called "Reflex") has mortgaged real property owned by it in Amherstburg, Ontario (which it is estimated will cost, when fully equipped, in excess of $500,000) for the sum of $250,000 which mortgage has been guaranteed by the Company. In addition as collateral security for the Series A Debentures and Series B Debentures Reflex has mortgaged the said property to Guaranty Trust Company of Canada, trustee, under the Secured Indenture and first supplemental indenture securing the Series A Debentures and Series B Debentures. Both such mortgages will rank ahead of the securities offered hereby.

(c) The 1967 Series Debentures, being secured by a floating charge on assets of the Company, will rank subsequent to any indebtedness incurred by the Company which is specifically secured, including purchase money mortgages and secured bank borrowings and to any indebtedness secured by a prior floating charge created by the Company and will rank subsequent to all debt of subsidiaries.

(d) The Company has, as part of its authorized capital, 199,000 Preference Shares of the par value of $25 each, issuable in series, of which there are outstanding 49,000 Preference Shares, designated as 6½% Cumulative Redeemable Preference Shares, Series A which will rank ahead of Common Shares without par value of the Company issued upon exercise of the conversion privilege attached to the 1967 Series Debentures offered hereby. Any additional Preference Shares issued hereafter will rank ahead of the said Common Shares. The preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Preference Shares as a class, and to the 6½% Cumulative Redeemable Preference Shares, Series A are set out in Schedule B hereto.

(e) The outstanding 440,000 Common Shares without par value of the Company together with any further Common Shares issued by the Company will rank pari passu with the Common Shares without par value of the Company issued upon exercise of the conversion privilege attached to the 1967 Series Debentures.

If it were not for the uraniums, the base metal group would probably record a nose dive.

So much for generalities.

Just Stocks

The hand of Croesus appears to have touched off a surfeit of zoomers in our alleged stodgy Canadian stock markets during the past few weeks. The dangers inherent in that kind of situation glare at the unwarry malevolently, and yet, because of the apparent technical underpining to this market advance, the final distribution phase appears to be some time in the future. In this phase, the game is an inventory situation: the grand winner is a FIFO, first in the bottom, first out at the top. 19th Century romantics and some baroque thinkers may think this is possible. Like being dealt 13 spades in a bridge hand.

A sensible objective is FIFO minus 20%.

George Goodman, author of the delightful satire "The Wheeler Dealers", compulsory reading for those who can still laugh after a few major market shakeouts, quotes from that masterful stock market operator Lord Keynes:

"...the energies and skill of the professional investor and speculator are occupied largely not with making superior long-term forecasts of the probable yield of an investment over its whole life, but with foreseeing changes in the conventional basis of valuation a short time ahead of the general public....The actual, private object of the most skilled investment today is "to beat the gun," as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating half crown to the other fellow.

This battle of wits...does not even require gulls amongst the public to feed the maws of the professional; it can be played by the professionals among themselves ...for it is, so to speak, a game of Snap, of Old Maid, of Musical Chairs -- a pastime

BOB STONE
362 - 4492

(continued . .)

than glass. (see annual report, a model of excellence in financial reporting) The stock is on trend and headed higher according to our pictures, capable of doubling over the next year.

Denison Mines at $67\frac{1}{2}$ continues in a clear uptrend. Crossing $68 a run through to $100 is within reach

Dominion Bridge - $21\frac{1}{2}$, has completed a reversal pattern and is now trending higher with a complete recovery potential to $30.

Interprovincial Pipeline - $107\frac{1}{2}$, now that the long awaited split has been approved, appears to be capable of much higher prices post-split.

Investors Syndicate - $11\frac{3}{4}$, has completed a reversal pattern and is headed for the $14 - $16 area on volume, reflecting one presumes, the resumption of a high rate of mutual fund sales.

ITL - $30, continues to be something of 'Mr. Terrific' stock headed higher still.

Jefferson Lake - $35\frac{1}{2}$, is breaking out again for a run into the $40 - $50 area.

Magna - $19, continues in a steep uptrend with a minimum downside risk - perhaps half a point. Magna is acquisition conscious but not for other people's troubles.

Monarch Fine Foods - $9\frac{7}{8}$, is moving higher on sharply improved quarterly earnings.

R. L. Crain still on trend; no sign of weakness.

So too Oshawa Wholesale 'A'.

Pacific Pete - $14, trying to get into the $15 - $15\frac{1}{2}$ area. Just bear in mind those zillions of shares outstanding. It has to be U.S. buying to move it.

Power Corporation has completed a reversal pattern, turning higher now for the $14 - $15 zone. We note with interest the Company's offer to acquire Dominion Glass, by reputation a low efficiency operation. Perhaps Power Corp. can inject the yeast of efficiency into it.

Woodward Stores, despite recent price hesitancy is still on trend and if it can overcome this last resistance in the $29 - $29\frac{1}{2}$ area post-split, a good move may be in store.

Velcro, $75 - $76. No weakness here. First half earnings are said to have exceeded expectations.

in which he is victor who says Snap neither too soon nor too late, who passes the Old Maid to his neighbour before the game is over, who secures a chair for himself when the music stops."

Judging from the price action, one might presume that all of Canada and part of the U.S.A. was travelling to Expo on the C.P.R., Greyhound of Canada buses eating Versafood provided food and drinking Labatts, Molsons and Orange Crush. (What a mix!)

These stocks are headed higher; Expo probably only affects Crush and Greyhound directly.

Other stocks, besides all the banks, which are headed higher include:

<u>Zoomers</u>

Acklands, which earned 83¢ a share in the year ended November 1966 up 24.5% from the previous year had a recent high of \$9½ on a bulge. The stock appears to be in a dynamic uptrend. Under other circumstances it would seem to require additional work before moving higher. Estimates run as high as \$1.65 per share pre-tax for the year ended November 30, 1967 based on a turnaround of recently acquired Booker Group. It is believed that Acklands is making progress in turning the Booker situation into a profitable enterprise.

Canadian Tire Corporation at \$22½ continues in a strong uptrend, even though the price at which the shares sell seems to reflect adequately a 30.4% increase in net earnings per share in 1966 over 1965 to \$1.12 per share.

Canada Cement, \$46, broke out during the week across the \$42½ barrier. A theoretic supply is indicated, \$48 - \$50, which may be only academic in such a fundamentally inexpensive situation having a strong current outlook for earnings.

Consumers' Glass at \$15½, would under other conditions appear to be quite adequately priced at 20 times 1966's 77¢ per share. But the Company is completing an apparently astute purchase from Sogemines of Iroquois Glass for cash and notes. It is seldom recognized by Canadian investors that the glass industry is a true growth situation.

F. COULTER DEACON
JOHN S. DEACON
J. REG. FINDLEY
DONALD M. DEACON
ROBERT D. TELFER
CHARLES N. POWER
JOHN W. HETHERINGTON
DONALD A. JEWITT
JOHN C. MOORHOUSE
HAROLD J. KNIGHT
ROBERT C. STONE
ARTHUR J. THOMAS

F. H. DEACON & COMPANY
LIMITED
Business Established 1897
Members The Toronto Stock Exchange

DEACON FINDLEY COYNE
LIMITED
Members Investment Dealers' Association of Canada
Government, Municipal and Corporation Bonds

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May 2, 1967.

MARKET COMMENT

MAJOR TREND: UP

INTERMEDIATE TREND: UP

SHORT TERM: OVERBOUGHT, MINOR REACTIONS ANTICIPATED

Money, Stocks and Bonds

Reinforcing the constructive implications built in to this stock market, a bullish money signal has been given by the Bank Credit Analyst. There is minimal contrary evidence. The latest figures show that commercial and industrial loans in the U.S. are still expanding rapidly. Little net liquidation of debt has taken place, a requisite of a boom build-up. On the other hand, instalment credit fell earlier this year, probably in response to dampened consumer expectations and lower auto sales. All this appears to be history now. The line of least resistance appears to be constructive economically, unfortunately in part due to a war economy and continued near optimum employment ratios. A renewal of economic pressures -- some use the term 'pressure cooker', suggests increased U.S. corporate income taxes before the end of this year which might exercise a restraining influence on stock prices.

An additional restraint, as mentioned before, is the levelling out of bond prices as a certain amount of congestion in the rush to place long term debt issues while the climate for doing so is propitious.

Strength is unimpaired in oils, banks, beverages, oil refining, steels, pipe lines and miscellaneous groups.

The construction group has turned the corner and is headed higher.

Redemption

The Company shall have the right at its option at any time to redeem before maturity all of the outstanding 1967 Series Debentures or from time to time to redeem before maturity any of the outstanding 1967 Series Debentures on not less than thirty days' notice at the following percentages of the principal amount thereof redeemed:

if redeemed on or before May 1,	1972	at 106.5%
if redeemed thereafter and on or before May 1,	1973	at 106%
if redeemed thereafter and on or before May 1,	1974	at 105.5%
if redeemed thereafter and on or before May 1,	1975	at 105%
if redeemed thereafter and on or before May 1,	1976	at 104.5%
if redeemed thereafter and on or before May 1,	1977	at 104%
if redeemed thereafter and on or before May 1,	1978	at 103.5%
if redeemed thereafter and on or before May 1,	1979	at 103%
if redeemed thereafter and on or before May 1,	1980	at 102.5%
if redeemed thereafter and on or before May 1,	1981	at 102%
if redeemed thereafter and on or before May 1,	1982	at 101.5%
if redeemed thereafter and on or before May 1,	1983	at 101%
if redeemed thereafter and on or before May 1,	1984	at 100.5%
if redeemed thereafter		at 100%

together in each case with interest on the principal amount of the 1967 Series Debentures to be redeemed, accrued and unpaid to the date specified for redemption.

Conversion Privilege

The 1967 Series Debentures will be convertible, at the option of the holder, at any time prior to the close of business on May 1, 1977 or on the third business day immediately preceding the date fixed for redemption of the 1967 Series Debentures, whichever is earlier, into fully paid and non-assessable Common Shares without par value in the capital of the Company, as constituted at the date hereof, on the following bases:

at the rate of 62 Common Shares per $1,000 principal amount of 1967 Series Debentures (being at the price of approximately $16.13 per share) if converted on or before May 1, 1971; and thereafter

at the rate of 57 Common Shares per $1,000 principal amount of 1967 Series Debentures (being at the price of approximately $17.54 per share) if converted on or before May 1, 1973; and thereafter

at the rate of 50 Common Shares per $1,000 principal amount of 1967 Series Debentures (being at the price of $20.00 per share) if converted on or before May 1, 1975; and thereafter

at the rate of 45 Common Shares per $1,000 principal amount of 1967 Series Debentures (being at the price of approximately $22.22 per share) if converted on or before May 1, 1977.

Upon any conversion no allowance will be made for accrued interest (if any) on the 1967 Series Debentures to the date of conversion or for dividends on shares issuable upon the conversion, but shares in the capital of the Company received upon the conversion of 1967 Series Debentures converted prior to the record date for payment of any dividend on such shares will qualify for such dividend. The Trust Indenture will provide that in the event of (a) any reduction in the number of Common Shares in the capital of the Company outstanding due to consolidation thereof, or (b) any increase in the number of such shares outstanding due to subdivision thereof or to any stock dividend on such shares an appropriate adjustment shall be made in the number of Common Shares issuable subsequent to any such change in the number of outstanding Common Shares becoming effective. The Trust Indenture will provide that the Company shall notify holders of 1967 Series Debentures of any dividend payable in shares of the Company or of any rights to be granted to holders of Common Shares generally to subscribe for securities of the Company.

Asset Coverage

According to the accompanying Pro Forma Consolidated Balance Sheet of the Company and its subsidiary companies, as at November 30, 1966, which gives effect to the receipt of the estimated net proceeds from the sale of 1967 Series Debentures, net tangible assets (after making provision for all long term debt other than the 1967 Series Debentures) amounted to approximately $3,146 for each $1,000 principal amount of 1967 Series Debentures to be outstanding on the completion of this financing.

Interest Coverage

Upon completion of the proposed financing and other transactions subsequent to the date of the financial statements forming part of this prospectus, as set out in Note 8 thereto, maximum annual interest requirements on funded debt will amount to $199,100. For the year ended November 30, 1966, net earnings available for interest payments on funded debt amounted to $1,136,339 after depreciation but before income taxes (other than income taxes of $9,000 applicable to the earnings of International Tools (U.K.) Limited) and being 5.7 times such maximum annual interest requirements on funded debt.

Additional Debentures

The Trust Indenture will contain provisions permitting the issuance (subject as hereinafter referred to) from time to time of additional debentures (herein called "Additional Debentures") thereunder without limitation as to aggregate principal amount and having such attributes (including conversion rights, if any) as may be determined by the Company prior to the issue thereof. The 1967 Series Debentures and any Additional Debentures will rank equally and rateably except as to sinking fund provisions applicable to different issues and the principal, premium (if any) and interest of and on such Additional Debentures may be payable in such currency or currencies as may be determined by the Company at the time of the issue thereof.

Special Covenants

The Trust Indenture will provide, among other things, that so long as any of the 1967 Series Debentures remain outstanding;

A. The Company will not issue any Additional Debentures unless the consolidated net tangible assets (to be defined) of the Company and its subsidiaries as at a date not more than 120 days prior to the date of such issue shall have been equal to at least the principal amount of all 1967 Series Debentures and Additional Debentures of the Company to be outstanding immediately after such issue.

   Provided that, for all purposes of the Trust Indenture, any 1967 Series Debentures or Additional Debentures outstanding at the time of any such issue which are to be retired within one month following such time and all moneys required to retire which Debentures are paid to the Trustee at such time or the payment of which moneys is provided for to the satisfaction of the Trustee at such time shall be deemed not to be outstanding immediately after such issue.

B. The Company will not

   (i) declare or pay any dividends (other than in shares of the Company and other than cumulative preferential cash dividends at the rate of 6½% per annum on the amounts from time to time paid up on the presently outstanding 6½% Cumulative Redeemable Preference Shares, Series A of the Company and other than cumulative preferential cash dividends on any other issues of the Preference Shares of the Company with a par value of $25 each, issuable in series, at the rate specified in the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Preference Shares of the series of such issue) on any of its shares at any time outstanding; or

   (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding (except out of the proceeds of an issue of shares made at any time after May 1, 1967 and prior to or contemporaneously with any such redemption, reduction, purchase or payment and except purchases of presently outstanding 6½% Cumulative Redeemable Preference Shares, Series A of the Company out of the purchase fund required to be set aside for such purpose in accordance with the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the 6½% Cumulative Redeemable Preference Shares, Series A of the Company at the date hereof and except purchases of outstanding Preference Shares of the Company with a par value of $25 each, issuable in series out of a purchase fund required

to be set aside for such purpose in accordance with the preferences, rights, conditions, restrictions, limitations and prohibitions attached to the Preference Shares of such series); or

(iii) elect to pay any tax on undistributed income under the provisions of Section 105 of The Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions

unless immediately after giving effect to such action the aggregate amount

(a) declared or paid subsequent to November 30, 1966 as dividends (other than in shares of the Company) on all shares of all classes of the Company; and

(b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to November 30, 1966 in respect of all shares of all classes of the Company; and

(c) elected to be paid as tax as mentioned in subdivision (iii) immediately preceding

will not be more than the aggregate of (i) the consolidated net earnings available for dividends (to be defined) of the Company and its subsidiaries subsequent to November 30, 1966, (ii) the net cash proceeds to the Company of the issue after May 1, 1967 of any of its shares (other than shares issued upon the conversion of 1967 Series Debentures) and (iii) $100,000.

C. The Company will not sell or otherwise dispose of any funded obligations or shares of any subsidiary nor will the Company permit any subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) any funded obligations or shares of such subsidiary or of any other subsidiary, provided that this Clause C shall not apply to nor operate to prevent any subsidiary entering into or assuming or becoming liable on any purchase money mortgage (to be defined).

D. Subject to certain exceptions to be set forth in the Trust Indenture the Company will not sell or otherwise dispose of, and will not permit any subsidiary to sell or otherwise dispose of (except to the Company or to a subsidiary of which such subsidiary is a subsidiary), by conveyance, transfer, lease or otherwise the assets and undertaking of the Company or of any subsidiary, as the case may be, as an entirety or substantially as an entirety, provided that this Clause D shall not apply to nor operate to prevent any subsidiary entering into or assuming or becoming liable on any purchase money mortgage (to be defined).

Exceptions

The foregoing Clauses A to D inclusive and the floating charge created by the Trust Indenture shall not apply to nor operate to prevent and there shall be permitted

(i) the extension, renewal or refunding by a subsidiary of any funded obligations of such subsidiary to the extent of the principal amount of such funded obligations at the time of such extension, renewal or refunding provided that such last mentioned funded obligations were funded obligations of the subsidiary at the time when such subsidiary became a subsidiary or, in the case of the present subsidiaries, were outstanding on May 1, 1967; or

(ii) the extension, renewal or refunding by any subsidiary of any purchase money mortgage, provided that such extension, renewal or refunding is limited to the principal amount secured by and owing under such purchase money mortgage at the time of such extension, renewal or refunding and that no further property is encumbered upon such extension, renewal or refunding; or

(iii) the amalgamation of any subsidiary of the Company with any other subsidiary or subsidiaries of the Company; or

(iv) the sale by the Company or any subsidiary or subsidiaries of funded obligations or shares of any subsidiary (hereinafter called the "sold company") if such sale or sales is or are of all the funded obligations and shares of the sold company then owned or held by the Company and its subsidiaries or the sale by any subsidiary of its assets and undertaking as an entirety or substantially as an entirety provided that in the case of each such sale the consideration therefor represents the fair value (as determined in good faith by express resolution of the board of directors of the Company) at the time of such sale and further provided that the assets of such subsidiary do not constitute a substantial part of the consolidated assets of the Company and all subsidiaries and provided further that, at the time of such sale, such subsidiary shall not own, directly or indirectly, any debt of the Company or any shares or debt of any other subsidiary (unless all of the shares

and debt of such other subsidiary owned, directly or indirectly, by the Company and all subsidiaries are simultaneously being sold as permitted under this paragraph (iv)); or

(v) the giving of security or securities by the Company or any subsidiary to any bank or banks or to any other lending institution or institutions for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or lending institution or institutions; or

(vi) (a) the deposit of cash or obligations of the Government of Canada in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law and public and statutory obligations; or (b) liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or (c) the incurring of obligations under forward commitments of purchase relating to current operations or under any lease entered into in the ordinary course of business or any guarantee of such obligations given in the ordinary course of business; or

(vii) the Company (until the security constituted by the Trust Indenture shall have become enforceable and the Trustee shall have determined or become bound to enforce the same) from pledging, selling, alienating, leasing, assigning, mortgaging, hypothecating, charging or otherwise disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business and for the purpose of carrying on the same provided that any such action is not in breach of any express provision of the Trust Indenture; or

(viii) the issue by the Company of Additional Secured Debentures in accordance with and the securing thereof by the Company and by any subsidiary under the provisions of a trust indenture made as of June 1, 1964 between the Company and Guaranty Trust Company of Canada, as Trustee, as amended and supplemented by a supplemental trust indenture made as of December 1, 1965 between the same parties as the same may be further supplemented and/or amended.

Directors' Determinations

The Trust Indenture will provide that the directors may, for all purposes of the Trust Indenture, from time to time determine the consolidated net tangible assets of the Company and its subsidiaries and/or the consolidated net earnings available for dividends of the Company and its subsidiaries as of any date or for any period in the manner and with the effect to be set forth in the Trust Indenture and may determine such consolidated net tangible assets and/or consolidated net earnings available for dividends to be not less than a stated amount without determining the exact amount thereof. There may be included in any such determination of consolidated net tangible assets of the Company and its subsidiaries as tangible assets the net proceeds or estimated net proceeds of the sale of any shares, bonds, debentures and/or other obligations of the Company (except as otherwise provided and except to the extent that such net proceeds or estimated net proceeds have been or are to be applied within one year thereafter to the redemption, reduction, purchase or paying off of any shares of the Company or to the acquisition of assets other than tangible assets, as the case may be, as to which a resolution of the directors setting out the application or proposed application of any such net proceeds or estimated net proceeds shall be conclusive and binding) issued prior to the making of such determination, and/or agreed (prior to the making of such determination) to be issued within 120 days from the date of such determination, for cash notwithstanding that such shares, bonds, debentures and/or other obligations may have been issued and/or agreed to be issued subsequently to the date as of which the determination is made.

The Trust Indenture will provide that if any property or any shares of any other company (sufficient with any other shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) have been acquired by the Company or any subsidiary at, or are to be acquired by the Company or any subsidiary within 120 days from, the time of determining consolidated net tangible assets of the Company and its subsidiaries, as to all of which a resolution of the directors shall be conclusive and binding, then the tangible assets of or comprised in such property or such other company (provided that any part of the net proceeds or estimated net proceeds of the sale of any issue or the then proposed issue of funded obligations or shares which was used or is to be used to acquire such property or shares or was used or is to be used to reimburse the Company or a subsidiary in whole or in part for the cost of the acquisition of such property or shares is not included in such determination of consolidated net tangible assets as tangible assets) and the liabilities of or pertaining to such property or such other company (calculated in accordance with the provisions of the Trust Indenture respecting consolidated net tangible assets) shall be treated as tangible assets and/or liabilities in the computation of consolidated net tangible assets.

Sinking Fund

Under the Trust Indenture the Company will covenant to establish a sinking fund to provide for the retirement of $62,500 principal amount of 1967 Series Debentures on May 1 in each of the years 1973 to 1986 inclusive. Such sinking fund and the retirement of a further $375,000 principal amount of 1967 Series Debentures at maturity will provide for the retirement of the 1967 Series Debentures in full.

The Company is to be entitled to purchase 1967 Series Debentures in the market or by private contract at prices not exceeding the redemption price current at the time of purchase in respect of 1967 Series Debentures redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase. All 1967 Series Debentures purchased or redeemed and all 1967 Series Debentures converted into shares (except 1967 Series Debentures purchased or redeemed out of sinking fund moneys and 1967 Series Debentures converted into shares after having been called for redemption out of sinking fund moneys) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in denominations of $1,000 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter. The Company is to have the right to elect on or before March 15 in each of the years 1973 to 1986 inclusive to apply a specified principal amount of 1967 Series Debentures forming such credit in satisfaction in whole or in part of the sinking fund payment required to be made prior to May 1 of such year and the Company will be required to pay into such sinking fund prior to May 1 of such year the sum in cash required to retire on that date $62,500 principal amount of 1967 Series Debentures less a principal amount of 1967 Series Debentures equal to the principal amount of such 1967 Series Debentures so applied. Such cash paid to the Trustee is to be applied in the retirement of 1967 Series Debentures by call for redemption on May 1 of such year at the principal amount thereof together with accrued interest to the date specified for redemption, provided that such call need not be made if the moneys in the sinking fund and required to be paid into the sinking fund are less than $10,000 and in such case such moneys may be used by the Trustee in purchasing for cancellation 1967 Series Debentures at a price not exceeding the redemption price current at the time of purchase in respect of 1967 Series Debentures redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase. The Company is to covenant and agree in the Trust Indenture to pay to the Trustee on demand its cost of giving notice of redemption of 1967 Series Debentures out of sinking fund moneys and any other expenses in connection therewith. Forthwith after the date specified for redemption of 1967 Series Debentures out of sinking fund moneys the Trustee shall pay and return to the Company as not required for the purposes of such sinking fund a sum equal to the aggregate principal amount of 1967 Series Debentures so called for redemption but converted into shares and accordingly not redeemed.

The Company is required to retire out of sinking fund moneys $50,000 aggregate principal amount of its 6.20% Secured Sinking Fund Debentures, Series A on December 15 in each of the years 1967 to 1983 inclusive and $30,000 aggregate principal amount of 6½% Secured Sinking Fund Debentures, Series B on June 15 in each of the years 1967 to 1984 inclusive. Reference is made to page 35.

The Trust Indenture will provide that 1967 Series Debentures redeemed or purchased are to be cancelled and not reissued.

Definitions

The Trust Indenture will contain definitions of the following terms, amongst others, substantially to the following effect:

(a) "funded obligations" means any debt or obligation payable more than one year after the date of the creation, issuance, incurring or assumption thereof which, in accordance with generally accepted accounting principles, should be shown on a balance sheet as a liability and any liability (contingent or otherwise) in respect of any guarantee by the Company or any subsidiary of any such indebtedness of any person, firm or corporation other than the Company or a subsidiary; provided that any obligation shall be treated as a funded obligation, regardless of its term, if such obligation is renewable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than one year after the date of the creation, issuance, incurring or assumption of such obligation, or may be payable out of the proceeds of a similar obligation pursuant to the terms of such obligation or of any such agreement; and further provided that when used in the expression "funded obligations" the word "obligations" shall include guarantees, endorsements or other contingent liabilities in connection with the obligations, stock or dividends of any person, other

than endorsements in the ordinary course of business of negotiable instruments in the course of collection;

(b) "consolidated funded obligations" of the Company and its subsidiaries means the aggregate amount of all funded obligations of the Company and its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting principles;

(c) "consolidated net earnings available for dividends" of the Company and its subsidiaries means all the gross earnings and income of the Company and all its subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character of the Company and all its subsidiaries including taxes on income and interest on funded obligations (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice. Without limiting the generality of the foregoing, operating charges and expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are chargeable to capital account in accordance with generally accepted accounting practice), rentals, licences, taxes (including taxes on income), interest (including interest on funded obligations), such provisions or allowances for bad and doubtful debts as the directors in their discretion, with the approval of the Company's auditors, may determine and, in addition to actual expenditures for maintenance, reasonable allowances for depreciation. In determining consolidated net earnings available for dividends interest charges which will be eliminated or reduced by reason of the issuance of funded obligations shall be disregarded or adjusted, as the case may be. Provided that the net earnings of any subsidiary for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary calculated as aforesaid as under generally accepted accounting practice is applicable to those shares of such subsidiary which are held by the Company or any other subsidiary and further provided that the earnings or losses of any subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company (provided that the auditors of the Company shall determine the earnings or losses of any subsidiary for the period from the date when such subsidiary became a subsidiary of the Company to the end of the fiscal year of such subsidiary during which it became a subsidiary of the Company).

(d) "consolidated net tangible assets" of the Company and its subsidiaries means the excess of the total of the tangible assets over the total of the liabilities of the Company and all its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice; provided always that in calculating consolidated net tangible assets due allowance shall be made for the minority interest (if any) in subsidiaries and/or in International Tools (U.K.) Limited.

(e) "tangible assets" means lands, buildings, plant, equipment and all other physical assets and all current assets and all investments (including notes, mortgages, advances and other amounts receivable, all of which shall be deemed to be included in the term "investments" as used herein) and all other assets appearing on a consolidated balance sheet of the Company and all its subsidiaries prepared in accordance with sound accounting practice, excluding the amount, if any, at which goodwill, trade marks, trade mark rights, trade names, trade name rights, copyrights, patents, patent rights and patent licences and other similar intangible assets and unamortized debt discount and expense appear on the asset side of such consolidated balance sheet and excluding all moneys required to retire any Debentures which are deemed not to be outstanding under the provisions of the proviso to Clause A on page 12 of this prospectus. The values of such assets shall be determined in the case of all such assets (other than current assets and investments) owned on November 30, 1966 by the Company and by any subsidiary at the amounts thereof shown in the audited consolidated pro forma balance sheet of the Company and its subsidiary companies as at November 30, 1966 (being after accumulated depreciation shown on such balance sheet) less subsequent depreciation, depletion and amortization and in the case of any such assets (except assets excluded as aforesaid) acquired after November 30, 1966 by the Company and by any subsidiary at the cost thereof less subsequent depreciation, depletion and amortization. In the case of any company (hereinafter called an "acquired company") which becomes a subsidiary after November 30, 1966 the value of its tangible assets (other than current assets and investments) shall in the case of the first determination of the value thereof be the lower of: the

aggregate value thereof as determined by an appraiser appointed by the directors and approved by the Trustee; or the cost (at the time such acquired company became a subsidiary) to the Company or any subsidiary of which the acquired company is a subsidiary of its investment (through the ownership of shares or otherwise) in such acquired company applicable to all such assets which were owned by such acquired company at such time (as to which cost and the allocation of such cost among all such assets a resolution of the directors of the Company shall be conclusive and binding) plus the cost of any such assets acquired after such time, less in each case subsequent depreciation, depletion and amortization. After the first determination of the value of tangible assets of an acquired company, the value of tangible assets of such acquired company (other than current assets and investments) shall be the value thereof determined in accordance with the preceding sentence hereof less subsequent depreciation, depletion and amortization and in the case of any tangible assets (except as aforesaid) acquired by such acquired company after such appraisal the cost thereof less subsequent depreciation, depletion and amortization. Investments (other than investments which are included in current assets as hereinafter provided) shall be valued at not more than the cost thereof to the Company or the subsidiary concerned, such cost to be determined in accordance with generally accepted accounting practice provided that the investment of the Company and/or a subsidiary in International Tools (U.K.) Limited shall be valued at the cost thereof plus the share of the Company and/or a subsidiary in any increase in the surplus of International Tools (U.K.) Limited since the date of acquisition.

For the purpose of the foregoing definition of consolidated net tangible assets "liabilities" means all liabilities of the Company and its subsidiaries other than liability for capital stock, surplus or reserves (to the extent not required to be treated as liabilities in accordance with generally accepted accounting practice) and other than liabilities in respect of the principal, premium, if any, and sinking fund instalments, if any, in respect of any Debentures issued under the Trust Indenture and other than any deferred credit in respect of or any provision for deferred taxes on income arising from the excess (less deficiencies) of any provisions for taxes on income for any fiscal period or periods over the amount of such taxes payable for any such fiscal period or periods because the provision for depreciation of any of the depreciable assets of the Company and its subsidiaries recorded in the books of the Company and/or its subsidiaries in respect of such fiscal period or periods is or was less (or greater) than the capital cost allowance (or depreciation or similar allowance) in respect of such depreciable assets claimed or to be claimed as a deduction in determining taxes on income for such fiscal period or periods. Contingent liabilities shall likewise be excluded except to such extent, if any, as the directors in their discretion shall determine that special provision should be made in the accounts for meeting such contingent liabilities.

(f) "current assets" means accounts receivable, bills and notes receivable and similar items receivable in the ordinary course of business (less such provisions or allowances for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine), cash on hand and in bank, bonds and obligations of or guaranteed by the Government of Canada or any Province of Canada and other investments (which term shall include bonds, debentures, debenture stock, shares and obligations of incorporated companies other than funded obligations issued by the Company or any subsidiary) which are readily saleable and which in accordance with generally accepted accounting practice may properly be grouped as current assets taken at their quoted market value, prepaid interest, insurance, municipal taxes and similar prepaid expenses of a current nature, stock in trade including all inventories of raw materials, work in progress and finished goods of the Company and its subsidiaries and materials and supplies necessary for the operation of the plants, offices and warehouses and/or for the manufacturing of the products of the Company and its subsidiaries, such stock in trade, materials and supplies to be valued at the lower of cost and market value, cash surrender value of life insurance policies payable to the Company or its subsidiaries and such other assets as are usually regarded as current by companies conducting a business or businesses similar to that of the Company and/or its subsidiaries.

(g) "subsidiary" means (i) any corporation or company incorporated in and carrying on business in Canada or the United States of America of which 70% or more of the outstanding voting shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a

subsidiary but only so long as 70% or more of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company and (ii) any corporation or company incorporated in and carrying on business in Canada or the United States of America, more than 50% but less than 70% of the outstanding voting shares of which are for the time being owned by or held for the Company and/or any subsidiary of the Company if, but only if, the directors of the Company by resolution determine that such corporation or company shall be deemed to be a subsidiary of the Company and only so long as more than 50% of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company; any such resolution shall not be revocable and shall be conclusive and binding upon all parties in interest; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened.

(h) "purchase money mortgage" or "purchase money mortgages" means any mortgage, hypothec, vendor's privilege, lien, charge or other encumbrance on any property, real or personal, moveable or immoveable, purchased by the Company or a subsidiary which is confined to the property so purchased and which was existing at the time of purchase or which was taken back by the vendor of the property purchased at the time of purchase and in any case the principal amount of which upon such purchase does not exceed 66⅔% of the lesser of the cost and fair value of the property so purchased at the time of purchase.

MATERIAL CONTRACTS

The Company and its subsidiaries within the two years preceding the date hereof have entered into the following contracts in addition to contracts in the ordinary course of business:

(1) A wholly-owned subsidiary of the Company, Reflex Corporation of Canada Limited ("Reflex"), has mortgaged for the sum of $250,000 to Woodall Construction Limited, real property owned by Reflex in Amherstburg, Ontario. The said mortgage is dated February 1, 1967 and is repayable in quarterly instalments consisting of $7,500 against principal plus interest at the rate of 10% on the unpaid balance, the first instalment to be payable on May 1, 1967 with the privilege after February 1, 1969 of repaying all or any part of the principal sum owing on any quarterly payment date without bonus on one month's notice. The Company has guaranteed payments due and the performance of all other covenants of Reflex under the mortgage.

(2) The Company has entered into a Supplemental Indenture dated as of December 1, 1965 with Guaranty Trust Company of Canada, as trustee. The Supplemental Indenture amends or supplements the Secured Indenture dated June 1, 1964 pursuant to which the 6.20% Secured Sinking Fund Debentures Series A were issued and are outstanding. The 6½% Secured Sinking Fund Debentures Series B were issued pursuant to the Secured Indenture as amended by the Supplemental Indenture.

(3) An agreement dated December 1, 1965 between the Company and The Prudential Insurance Company of America pursuant to which the Company sold and The Prudential Insurance Company of America purchased a $600,000 principal amount 6½% Secured Sinking Fund Debenture Series B of the Company.

(4) By an agreement dated March 1, 1967 the Company sold for a consideration of $255,000 in cash the real property owned by the Company in Hamilton and leased to Hamilton Automotive Trim Limited. After payment of the outstanding mortgage on the said property and real estate commission the Company realized $80,321.

(5) Machinery belonging to Hamilton Automotive Trim Limited has been disposed of for $11,523. It is anticipated that additional machinery belonging to Hamilton Automotive Trim Limited will be sold for approximately $6,320. The Company also has disposed of machinery belonging to the Company and formerly used by Hamilton Automotive Trim Limited for $25,100. It is anticipated that additional machinery of the Company formerly used by Hamilton Automotive Trim Limited will be sold for approximately $21,760.

(6) The underwriting agreement referred to on page 9 hereof.

Under the Secured Indenture dated as of June 1, 1964 made between the Company and Guaranty Trust Company of Canada, as trustee as amended and supplemented by the Supplemental Indenture dated as of June 1, 1964 and made between the same parties all subsidiaries of the Company are required to enter into guarantee agreements with Guaranty Trust Company of Canada guaranteeing the payment of principal,

premium (if any), sinking fund payments and interest on the 6.20% Secured Sinking Fund Debentures, Series A and the 6½% Secured Sinking Fund Debentures, Series B and any Additional Secured Debentures issued under the Secured Indenture as amended or supplemented and the performance of all other covenants to be performed by the Company under the said Secured Indenture as supplemented or amended. At the date hereof Reflex Corporation of Canada Limited and Palm-N-Turn Company, both of which are wholly-owned subsidiaries of the Company, have not entered into guarantee agreements. In addition, the issue of the securities offered by this prospectus and the mortgage in the amount of $250,000 given by Reflex Corporation of Canada Limited to Woodall Construction Limited and the guarantee thereof by the Company will have to be permitted by the trustee under the said Secured Indenture as supplemented and amended by the Supplemental Indenture prior to the closing of the purchase and sale of the securities offered hereby.

Copies of the foregoing documents, of the Secured Indenture and Supplemental Indenture and copies of the Trust Indenture, the Guarantee Agreement between Reflex Corporation of Canada Limited and Guaranty Trust Company of Canada, the Guarantee Agreement between Palm-N-Turn Company and Guaranty Trust Company of Canada, and the consent of Guaranty Trust Company of Canada to the issue of the securities offered by this prospectus, to the mortgage given by Reflex Corporation of Canada Limited and the guarantee of payments and performance of all other covenants thereunder by the Company in draft form and, upon execution thereof, in final form, may be inspected during ordinary business hours at the head office of the Company at Huron Line at Malden Road, Windsor, Ontario while the securities offered by this prospectus are in the course of primary distribution to the public and for a period of 30 days thereafter.

TRANSFER AGENTS, REGISTRARS, TRUSTEES

The Transfer Agent and Registrar for the 6½% Cumulative Redeemable Preference Shares, Series A with a par value of $25 each and for the Common Shares without par value of the Company is National Trust Company, Limited at its office at 21 King Street East in Toronto, at its office at 1350 Sherbrooke Street West in Montreal, at its office at 46 Portage Avenue South in Winnipeg and at its office at 510 Burrard Street in Vancouver.

The trustee for the 6.20% Secured Sinking Fund Debentures, Series A and for the 6½% Secured Sinking Fund Debentures, Series B of the Company is Guaranty Trust Company of Canada. National Trust Company, Limited will be the trustee under the Trust Indenture hereinbefore referred to under which the 1967 Series Debentures are proposed to be issued. Registers upon which coupon 1967 Series Debentures shall be registered as to principal and upon which fully registered 1967 Series Debentures shall be registered as to principal and interest and upon which transfers of 1967 Series Debentures so registered shall be recorded will be kept by the said National Trust Company, Limited at its office at 21 King Street East in Toronto, at its office at 1350 Sherbrooke Street West in Montreal, at its office at 250 Portage Avenue in Winnipeg and at its office at 510 Burrard Street in Vancouver.

AUDITORS

The auditors of the Company are Messrs. Stephens, McLean & Co., Chartered Accountants, 1204 Canada Building, Windsor, Ontario.

I.T.L. Industries Limited

and its subsidiary companies

CONSOLIDATED BALANCE SHEET
and
PRO FORMA CONSOLIDATED BALANCE SHEET
as at November 30, 1966

The pro forma consolidated balance sheet gives effect to the following transactions:

(1) The issue and sale to underwriters of $1,250,000 principal amount of 6½% Convertible Sinking Fund Debentures 1967 Series for $1,200,000.
(2) The payment of financing expenses estimated at $20,000.
(3) The repayment of bank indebtedness of $626,864.
(4) The addition to cash of $553,136.

ASSETS

	Actual	Pro Forma
CURRENT:		
Cash	$ 11,020	$ 564,156
Accounts receivable (less allowance for doubtful accounts of $18,435)	1,473,404	1,473,404
Inventories of materials and work in process (Note 2)	1,210,535	1,210,535
Prepaid expenses	27,778	27,778
Total current assets	$2,722,737	$3,275,873
MORTGAGE RECEIVABLE—6%	$ 2,900	$ 2,900
FEDERAL REFUNDABLE TAX	$ 22,933	$ 22,933
INVESTMENT IN ASSOCIATED COMPANY, AT COST	$ 25,000	$ 25,000
FIXED:		
Lands, buildings, machinery, equipment and leasehold improvements (Note 3)	$3,895,437	$3,895,437
Less: Accumulated depreciation	938,690	938,690
	$2,956,747	$2,956,747
OTHER:		
Organization expense	$ 11,535	$ 11,535
Expenses of debenture issues, less amount written off	42,326	112,326
Expenses of share issue	106,434	106,434
Patents, at cost	12,207	12,207
	$ 172,502	$ 242,502
Excess of cost of shares of subsidiaries over net book value of assets acquired	$ 126,170	$ 126,170
	$6,028,989	$6,652,125

I.T. L. Industries Limited

and its subsidiary companies

CONSOLIDATED BALANCE SHEET
and
PRO FORMA CONSOLIDATED BALANCE SHEET
as at November 30, 1966

LIABILITIES

	Actual	Pro Forma
CURRENT:		
Bank loans and overdrafts, secured (Note 5)	$ 626,864	$ —
Accounts payable and accrued liabilities	584,982	584,982
Current portion of long-term liabilities	84,500	84,500
Income taxes (Note 4)	96,459	96,459
Total current liabilities	$1,392,805	$ 765,941
LONG-TERM:		
Debentures and mortgage payable (Note 6)	$1,668,942	$2,918,942
Less: Current portion	84,500	84,500
	$1,584,442	$2,834,442
CAPITAL STOCK:		
Authorized—		
200,000 Preference Shares with a par value of $25 each, issuable in series		
1,000,000 Common Shares without par value (Note 7)		
Issued and fully paid—		
49,000 6½% Cumulative Redeemable Preference Shares, Series A, redeemable at par (Note 7)	$1,225,000	$1,225,000
440,000 Common Shares	990,000	990,000
	$2,215,000	$2,215,000
Earned surplus	833,741	833,741
Contributed surplus	3,001	3,001
	$3,051,742	$3,051,742
	$6,028,989	$6,652,125

Approved on behalf of the Board.

(Signed) P. HEDGEWICK, *Director*

(Signed) CHARLES A. BELL, *Director*

I.T.L. Industries Limited
and its subsidiary companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the year ended November 30, 1966

Sales		$6,316,411
Cost of sales including selling, general and administrative expenses		4,878,215
Profit before the following deductions		$1,438,196
Depreciation		$ 238,538
Amortization of expenses of debenture issues		2,444
Interest on long term liabilities		105,303
Interest on current liabilities		41,375
Directors' fees and expenses		10,500
		$ 398,160
Profit before income taxes		$1,040,036
Income taxes (Note 4)		359,144
Net profit		$ 680,892

CONSOLIDATED STATEMENT OF EARNED SURPLUS
For the year ended November 30, 1966

Balance, at beginning of year		$ 771,635
Less: Deficit of subsidiary acquired in year (Note 1)		$ 11,006
Loss on advances to and investment in Hamilton Automotive Trim Limited		307,123
		$ 318,129
		$ 453,506
Add: Net profit for the year		680,892
		$1,134,398
Less: Dividends paid—preference	$ 80,657	
common	220,000	300,657
Balance, at end of year		$ 833,741

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
For the year ended November 30, 1966

Surplus realized on the purchase of preference shares for cancellation	$ 3,001	
Balance, at end of year		$ 3,001

I.T.L. Industries Limited

and its subsidiary companies

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

For the year ended November 30, 1966

Working Capital was increased by:		
Operations—Net profit for the year	$680,892	
Depreciation	238,538	
Amortization of expenses of debenture issues	2,444	$ 921,874
Proceeds of Series B debenture issue		600,000
Principal payments received on mortgage		1,573
Proceeds from sale of fixed assets		18,924
Surplus realized on the purchase of preference shares for cancellation		3,001
Reduction of advances to associated company now consolidated		58,707
		$1,604,079
Working Capital was decreased by:		
Additions to fixed assets	$667,186	
Dividends paid	300,657	
Advances to Hamilton Automotive Trim Limited in the year, written off to earned surplus	205,483	
Current portion of debenture debt	84,500	
Purchase of preference shares for cancellation	25,000	
Federal refundable tax payments	22,933	
Investment in associated company	25,000	
Deferred patent expense	12,207	
Deficit of subsidiary acquired in year	11,006	
Expenses of Series B debenture issue	7,730	
Organization expense	629	1,362,331
Net increase in Working Capital		$ 241,748

AUDITORS' REPORT

To the Directors,
I.T.L. INDUSTRIES LIMITED.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of I.T.L. Industries Limited and its subsidiary companies as at November 30, 1966 and the consolidated statements of profit and loss, earned surplus, contributed surplus and changes in working capital for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and pro forma consolidated balance sheet and related statements of profit and loss, earned surplus, contributed surplus and changes in working capital, with the notes thereto, present fairly the financial position of the companies as at November 30, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except the change as set forth in note 1 regarding Hamilton Automotive Trim Limited, which change we approve.

Windsor, Ontario
March 30, 1967

(Signed) STEPHENS, MCLEAN & CO.
Chartered Accountants.

I.T.L. Industries Limited

and its subsidiary companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 1966

1. Principles of consolidation:

The accounts of International Tools (U.K.) Limited are included, as to current assets and current liabilities, at the rate of exchange on November 30, 1966; as to fixed assets and accumulated depreciation, at the average rate during the period of acquisition; as to earnings, at the average rate for the year.

In January, 1966 the company acquired all of the outstanding shares of Reflex Corporation of Canada Limited, the accounts of which, for the eleven month period ending November 30, 1966, are now included in the consolidated statements for the first time. The amount of the loss for that period was $27,074. The deficit in that company's accounts as at December 31, 1965 has been charged against consolidated surplus.

The accounts of Hamilton Automotive Trim Limited are not included in the consolidated financial statements. This company experienced heavy operating losses as a result of a severe restriction in the market for its products, and as a consequence is in process of liquidation. I.T.L. Industries Limited has appointed a receiver to protect the collateral security for its advances, and a charge has been made to surplus to provide for the loss on the investment and advances. The operating loss of Hamilton Automotive Trim Limited for the year ended November 30, 1966 was $157,019 and the total of the operating losses since control was acquired by I.T.L. Industries Limited was $209,757. I.T.L. Industries Limited holds 75% of the issued capital stock of Hamilton Automotive Trim Limited.

2. Basis of inventory valuation:

Inventories are valued, as to materials and stores, at the lower of cost or replacement cost and as to labour and work being done by others at actual cost. A summary of the inventories is as follows.

Raw materials and stores	$ 305,179
Work in process	867,759
Finished goods	37,597
	$1,210,535

3. An analysis of fixed assets and accumulated depreciation is as follows:

	Fixed Assets	Accumulated Depreciation
At cost:		
Lands	$ 79,223	$ —
Buildings and parking areas	969,977	168,288
Machinery and equipment	1,596,164	409,801
Leasehold improvements	6,878	2,137
	$2,652,242	$ 580,226
At depreciated appraisal values:		
Machinery and equipment of International Tools, Limited at depreciated replacement values as determined by Canadian Appraisal Company Limited as at October 31, 1963	1,243,195	249,892
Subsequent additions	—	108,572
	$3,895,437	$ 938,690

The excess of depreciated replacement value of fixed assets over depreciated cost, amounting to $637,589, by reason of the appraisal referred to above appears in the accounts of International Tools, Limited and forms a part of the consideration for the Common Shares issued by I.T.L. Industries Limited for the acquisition of the shares of International Tools, Limited.

4. Income taxes:

Income taxes have been calculated on the basis of the intention to claim capital cost allowances which exceed depreciation provided in the accounts. As a result the total taxes otherwise payable for the period have been reduced by approximately $187,400. (The reduction in the fiscal years ending in 1963, 1964 and 1965 were respectively $12,500, $39,000 and $164,700). The cumulative amount by which taxes otherwise payable have been reduced is $403,600.

5. Bank loans and overdrafts:

Bank loans and overdrafts are secured by a general assignment of book debts.

6. Long-term liabilities:

	Actual	Pro Forma
6.20% Secured Sinking Fund Debentures, Series A, maturing June 15, 1984. Sinking fund payments of $50,000 are required annually until maturity	$ 900,000	$ 900,000
6½% Secured Sinking Fund Debentures, Series B, maturing December 15, 1985. Sinking fund payments of $30,000 are required annually until maturity	600,000	600,000
7% mortgage due July 30, 1985. Payments totalling $16,157 including principal and interest are required annually until maturity	168,942	168,942
6½% Convertible Sinking Fund Debentures 1967 Series, maturing May 1, 1987. Sinking fund payments of $62,500 are required annually beginning May 1, 1973	—	1,250,000
	$1,668,942	$2,918,942

7. Common Shares:

77,500 Common Shares of the authorized 1,000,000 Common Shares without par value are reserved against conversion of the 6½% Convertible Sinking Fund Debentures 1967 Series.

Preference Shares:

The preference, rights, conditions, restrictions, limitations and prohibitions attached to the Series A Preference Shares require that, commencing in 1966 the company set aside on or before the first day of March in each year the sum of $25,000 as a purchase fund for the purchase of such shares for cancellation. At November 30, 1966, 1,000 shares had been purchased and were being held by the company's financial agent for cancellation. Since the end of the fiscal year the said 1,000 Series A Preference Shares have been cancelled.

8. Commitments and transactions:

Since the end of the fiscal year Reflex Corporation of Canada Limited has acquired a building in the Town of Amherstburg. The approximate cost of the building is $250,000 and a mortgage has been given by the Company to Woodall Construction Limited for $250,000. The mortgage is repayable quarterly as to $7,500 against principal plus interest at the rate of 10% on the unpaid balance, the first instalment to be payable on May 1, 1967 with the privilege after February 1, 1969 of repaying all or any part of the principal sum owing on any quarterly payment date without bonus on one month's notice. A further subsequent transaction involved the sale of the real property occupied by Hamilton Automotive Trim Limited for $255,000 and the retirement of the mortgage on such property at a cost of $155,577.

There are no material facts relating to the Company that are not disclosed in this prospectus of which Schedules A and B are an integral part.

The foregoing together with Schedules A and B hereto constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Part VII of the Securities Act, 1962 (British Columbia), by Part IX of The Securities Act, 1955 (Alberta), by Section 43 of the Securities Act (Saskatchewan), by Section 39 of The Securities Act (Ontario), by the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick), and there is no further material information applicable other than in the financial statements or other reports where required or exigible.
DATED March 30, 1967

DIRECTORS

(Signed) Charles A. Bell

(Signed) P. Hedgewick

(Signed) Herbert Young
by his agent,
(Signed) P. Hedgewick

(Signed) F. N. Heuchan

(Signed) R. W. Keeley

(Signed) J. H. Hawke

(Signed) J. S. Gairdner
by his agent,
(Signed) J. H. Hawke

UNDERWRITERS

To the best of our knowledge, information and belief, the foregoing together with Schedules A and B hereto constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Part VII of the Securities Act, 1962 (British Columbia), by Part IX of The Securities Act, 1955 (Alberta), by Section 43 of the Securities Act (Saskatchewan), by Section 39 of The Securities Act (Ontario), by the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick) and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

Gairdner & Company Limited
By (Signed) W. A. Clarke, *Director*

The following includes the names of all individuals having more than a 5% interest in the capital of Gairdner & Company Limited: J. S. Gairdner, J. H. Hawke, G. C. Watt, J. H. Brown, F. J. McDonald, A. T. Kenner, E. A. Scott, I. K. Ferguson and R. H. Smith.

SCHEDULE A

I.T.L. INDUSTRIES LIMITED

6.20% Secured Sinking Fund Debentures, Series A
6½% Secured Sinking Fund Debentures, Series B

Security

The 6.20% Secured Sinking Fund Debentures, Series A (the "Secured Debentures Series A") were issued under and pursuant to a trust indenture (in this Schedule A called the "Trust Indenture") dated as of June 1, 1964 and made between I.T.L. Industries Limited (the "Company") and Guaranty Trust Company of Canada, as Trustee (the "Trustee") and the 6½% Secured Sinking Fund Debentures, Series B (the "Secured Debentures Series B") were issued under and pursuant to the Trust Indenture as amended by a supplemental indenture (the "Supplemental Indenture") dated as of December 1, 1965 and made between the Company and the Trustee. The Secured Debentures Series A and the Secured Debentures Series B are equally and rateably secured by

(i) a first fixed and specific mortgage, hypothec, pledge and charge to and in favour of the Trustee and its successors in the trust of

- (a) all and singular the real and immovable property and fixed assets wheresoever situate owned by the Company on June 1, 1964 or thereafter acquired by the Company or over or in which it had on June 1, 1964 or may thereafter have or acquire any right, title or interest, including leasehold property, land, land covered by water, leases, licenses and rights, buildings, erections, improvements, factories, warehouses, mills, tenements, hereditaments, easements, servitudes, railways, tracks, road beds, fixed plant, fixed machinery, fixed equipment and other fixtures of every kind now owned or hereafter acquired by the Company, and
- (b) any other property or assets of whatsoever nature or description which may at any time and from time to time after June 1, 1964 be mortgaged, hypothecated, pledged or charged by the Company as and by way of a first fixed and specific mortgage, hypothec, pledge and charge to and in favour of the Trustee, and
- (c) all the outstanding shares of every class in the capital of International Tools, Limited and Hamilton Automotive Trim Limited owned by the Company, and
- (d) all the outstanding shares of every class owned on June 1, 1964 or thereafter acquired in the capital of any subsidiary, including International Tools, Limited and Hamilton Automotive Trim Limited.

(ii) a first floating charge to and in favour of the Trustee and its successors in the trust on the undertaking of the Company and all its property and assets for the time being, both present and future, owned on June 1, 1964 or thereafter acquired by the Company, of whatsoever nature and kind and wheresoever situate (other than those parts of the specifically mortgaged premises which may be effectively and validly subjected to the first fixed and specific mortgage, hypothec, pledge and charge above referred to) including, but without limiting the generality of the foregoing, all the Company's goodwill on June 1, 1964 and future goodwill, trade marks, inventions, processes, patents and patent rights, materials, supplies, inventories, motor vehicles, trucks, trailers, furniture, implements, rents, revenues, incomes and sources of money, moneys, rights, powers, privileges, franchises, benefits, immunities, contracts, agreements, leases, licenses, book debts, accounts receivable, negotiable and non-negotiable instruments, judgments, securities, choses in action, unpaid capital and all other property and things of value of every kind and nature, tangible or intangible, legal or equitable, which the Company was possessed of on June 1, 1964 or entitled to or which may be thereafter acquired by the Company.

Certain Covenants of the Company

The Trust Indenture as amended by the Supplemental Indenture contains certain covenants of the Company applicable so long as the Secured Debentures Series A or Secured Debentures Series B are outstanding. The covenants are substantially as follows:

A. The Company will not, and will not permit any subsidiary to, make any restricted payment except out of consolidated net earnings available for restricted payments and then only if, after giving effect to any such restricted payment, the consolidated tangible net worth of the Company and its subsidiaries is not less than \$2,100,000 and the consolidated working capital of the Company and its subsidiaries is not less than \$1,000,000 up to and including June 30, 1967 and not less than \$1,100,000 thereafter; provided, however, that the Company may set aside the purchase fund for the purchase of its 6½% Cumulative Redeemable Preference Shares, Series A outstanding on June 1, 1964 which it is required to set aside and may apply the said fund in the purchase of such shares in accordance with the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to such shares on June 1, 1964 on condition that in any fiscal year when the Company is obliged to set aside funds as a purchase fund for the purchase of such shares as aforesaid, the Company shall make or allow for such setting aside (to the maximum amount which might be required) prior to making any other restricted payment in such year;

B. The Company will not, and will not permit any subsidiary to,

(a) create, assume or suffer to exist any mortgage, hypothec, pledge, encumbrance, lien or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon any of its property or assets, whether now owned or hereafter acquired, except

(i) liens for taxes not yet due or which are being contested in good faith by appropriate proceedings;

(ii) other liens, charges, easements, rights-of-way and encumbrances incidental to the conduct of its business or the ownership of its property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(iii) mortgages, hypothecs or other liens on property or assets of a subsidiary to secure obligations of such subsidiary to the Company or another subsidiary;

(iv) the Secured Debentures Series A, the Secured Debentures Series B, Additional Debentures permitted by the provisions of the Trust Indenture, and any Guarantee Agreement or bonds and any other instrument delivered pursuant to any such Guarantee Agreement;

(v) assignments of accounts receivable and the pledge of inventory to banks chartered under the Bank Act of Canada and others to secure current debt permitted by clause (ix) of paragraph (b) of this sub-section B;

(vi) purchase money mortgages or conditional sale or other title retention agreements permitted by clauses (vi) and (vii) of paragraph (b) of this sub-section B; and

(vii) Permitted Encumbrances;

(b) create, incur, assume or suffer to exist any funded obligations or current debt except

(i) funded obligations or current debt represented by the Secured Debentures Series A, the Secured Debentures Series B, Additional Debentures permitted by the provisions of the Trust Indenture, any Guarantee Agreement or bonds and any other instrument delivered pursuant to any such Guarantee Agreement;

(ii) funded obligations or current debt secured by mortgages, hypothecs and other liens permitted by the provisions of clauses (i), (ii) and (iii) of paragraph (a) of this sub-section B;

(iii) funded obligations or current debt of any subsidiary to the Company or any other subsidiary;

(iv) guarantees by the Company of obligations of subsidiaries or by a subsidiary of obligations of another subsidiary or of the Company provided such obligations are not otherwise prohibited by this paragraph (b);

(v) guarantees in the ordinary course of business not exceeding an aggregate of $25,000 at any one time;

(vi) the acquiring by the Company or any subsidiary subsequent to May 31, 1964 of property subject to any mortgage, lien or encumbrance thereon in each case in a principal amount not in excess of 66⅔% of the cost or fair market value, whichever is less, of such property at the time the same is acquired provided that the consolidated tangible net worth of the Company and its subsidiaries as at a date not more than ninety (90) days prior to the date of such acquisition shall be not less than the principal amount of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such acquisition;

(vii) purchase money mortgages or conditional sale or other title retention agreements on property acquired by the Company or any subsidiary subsequent to May 31, 1964 in each case in principal amounts not in excess of 66⅔% of the cost or fair market value, whichever is less, of such property at the time the same is acquired (except that an existing first mortgage on certain specifically described property acquired by the Company for the use of Hamilton Automotive Trim Limited may exceed the 66⅔% limit) provided that the consolidated tangible net worth of the Company and its subsidiaries, as at a date not more than ninety (90) days prior to the date of such creation, incurring or assumption, shall be not less than the principal amount of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such creation, incurring or assumption;

(viii) the extension, renewal or refunding of any mortgage, lien, charge or encumbrance permitted under subdivisions (vi) and (vii) of this paragraph (b) to the extent of the indebtedness secured by and owing under any such mortgage, lien, charge or encumbrance at the time of such extension, renewal or refunding provided that the property encumbered thereby is not increased at such time;

(ix) other current debt not in excess of 60% of the aggregate of the book value of all inventory, work in progress, net trade accounts receivable (after due provision for bad debts) and cash of the Company and its subsidiaries on a consolidated basis, as determined in accordance with generally accepted accounting principles;

(c) make or permit to remain outstanding any loan (including any mortgage) or advance to, or own, purchase or acquire any stock or securities of, any person except that the Company or any subsidiary may

(i) make or permit to remain outstanding loans or advances to any subsidiary;

(ii) purchase or acquire stock or securities of a subsidiary or of a corporation which immediately after such purchase or acquisition will be a subsidiary;

(iii) acquire and own stock or securities received in settlement of debts (created in the ordinary course of business) owing to the Company or any subsidiary;

(iv) own, purchase or acquire direct obligations of or guaranteed by the Government of Canada or of any province thereof;

(v) own, purchase or acquire guaranteed investment certificates of trust companies qualified to carry on business in Canada or any province thereof;

(vi) own, purchase or acquire prime commercial paper issued by companies incorporated under the laws of Canada or any province thereof, maturing within one year from the date of such acquisition or purchase and qualified as an investment in which the Canadian and British Insurance Companies Act (Canada) states that a company registered under Part III thereof may invest its funds without resorting to the provisions of sub-section 4 of section 63 of such Act;

(vii) make or permit to remain outstanding temporary loans or advances to employees to assist them in the purchase of tools;

(viii) make or permit to remain outstanding temporary travel advances to officers and employees of the Company or any subsidiary in the normal course of business;

(ix) make or permit to remain outstanding other loans (including mortgages), advances or investments provided the aggregate principal amount of such loans, advances and investments at any time outstanding shall not exceed $250,000 for the Company and all subsidiaries, excluding loans or advances to employees to assist them in the purchase of tools; and

(x) make or permit to remain outstanding investments in or loans to International Tools (U.K.) Limited not exceeding at any time an aggregate amount of such loans and/or investments of $150,000, exclusive of any increment in equity value of that company created through earnings or otherwise;

(d) except as permitted by paragraph (b) or paragraph (c) of this sub-section B, sell, issue or otherwise dispose of any shares or funded obligations or current debt of any subsidiary except to the Company or another subsidiary and except that all shares and debt of any subsidiary at the time owned by or owed to the Company and all subsidiaries may be sold as an entirety for a cash consideration which represents the fair value (as determined in good faith by express resolution of the board of directors of the Company) at the time of sale of the shares and debt so sold, provided that the assets of such subsidiary do not constitute a substantial part of the consolidated assets of the Company and all subsidiaries and provided further that, at the time of such sale, such subsidiary shall not own, directly or indirectly, any debt of the Company or any shares of stock or debt of any other subsidiary (unless all of the shares of stock and debt of such other subsidiary owned, directly or indirectly, by the Company and all subsidiaries are simultaneously being sold as permitted by this paragraph (d));

(e) except as permitted by Article XIII of the Trust Indenture, amalgamate, merge or consolidate with any other corporation or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets except that

(i) any subsidiary may amalgamate, merge or consolidate under The Corporations Act (Ontario) with any one or more other subsidiaries;

(ii) any subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or another subsidiary which has executed a Guarantee Agreement; and

(iii) any subsidiary may sell or otherwise dispose of all or substantially all of its assets subject to the conditions specified in paragraph (d) of this sub-section B with respect to a sale of the shares of such subsidiary;

(f) enter into, or permit to remain in effect, any agreements to rent or lease any real property or production equipment for a term (including any renewal term resulting from a right to renew which has been exercised other than a renewal term for not more than one year following the current term) in excess of one year if as a result of such agreement or lease payments pursuant to all such agreements and/or leases are in excess of an aggregate amount of $50,000 per annum (of which not more than $20,000 shall apply to leases of real property) by the Company and all subsidiaries except for leases permitted by paragraph (e) of this sub-section B and except for leases of railroad sidings;

(g) directly or indirectly, purchase, acquire or lease any property (other than shares of the Company) from, or sell, transfer, dispose of or lease any property (other than shares of the Company) to, or otherwise deal with, in the ordinary course of business or otherwise,

(i) any person owning, beneficially or of record, directly or indirectly, either individually or together with all other persons to whom such person is related by blood, adoption or marriage, shares of the Company of any class having ordinary voting power for the election of directors aggregating 5% or more of such voting power, or

(ii) any person related by blood, adoption or marriage to any person described or coming within the provisions of clause (i) of this paragraph (g) of this sub-section B, or

(iii) any Affiliate,

except upon terms no less favourable to the Company than would be the case if such relationship did not exist and subject to the other conditions set forth in this sub-section B and except that any such person may be a director, officer or employee of the Company

or of any subsidiary and may be paid reasonable compensation in connection therewith;

(h) discount or sell with recourse or sell for less than the face value thereof any of its notes receivable or accounts receivable;

(i) nothing herein shall prevent and there shall be permitted (i) the issue by Hamilton Automotive Trim Limited of its 7% Income Debenture or 7% Income Debentures not exceeding $50,000 in aggregate principal amount to George Tinwick and/or Danilo Presselo, such 7% Income Debenture to be repayable at the rate of 10% of the net profit after tax and depreciation for the preceding fiscal year of Hamilton Automotive Trim Limited for each and every year commencing November 30, 1966 until repaid in full, (ii) the securing of such 7% Income Debenture or 7% Income Debentures by a floating charge subject only to a prior floating charge on the assets of Hamilton Automotive Trim Limited to secure a Debenture in the principal amount of $71,000 of Hamilton Automotive Trim Limited issued to the Company, (iii) the said 7% Income Debenture or 7% Income Debentures being outstanding, (iv) upon default under such 7% Income Debenture or 7% Income Debentures the exercise by the holder or holders of such 7% Income Debenture or 7% Income Debentures of any right or remedy under such Debenture or Debentures, and (v) the repayment of the indebtedness secured by such 7% Income Debenture or Debentures in accordance with the terms of such 7% Income Debenture or Debentures.

C. The Company will not permit any subsidiary to issue, sell or dispose of any shares of any class in its capital (other than directors' qualifying shares) except to the Company or to another subsidiary;

D. No Additional Debentures or other funded obligations of the Company (except purchase money mortgages) will be issued under the Trust Indenture or otherwise having a maturity date prior to December 15, 1985 other than Debentures or other obligations maturing serially;

E. The aggregate amount payable in any year, in respect of any issue of Additional Debentures or other funded obligations of the Company (except purchase money mortgages) issued after the issue of the Secured Debentures Series A, to meet serial maturities and/or mandatory sinking fund payments shall not bear a higher ratio to the aggregate principal amount issued of the Additional Debentures or other funded obligations of such issue than the ratio which the mandatory sinking fund payment, if any, in such year in respect of the Secured Debentures Series A bears to the aggregate principal amount of the Secured Debentures Series A issued; for the purpose of this sub-section E a sinking fund payment to retire a specified principal amount shall be deemed to be the principal amount so to be retired;

F. The Company will not issue any Additional Debentures under the Trust Indenture as amended by the Supplemental Indenture unless

(a) the consolidated net earnings available for interest of the Company and its subsidiaries for the immediately preceding fiscal year shall have been at least equal to three and one-half (3½) times, and the average consolidated net earnings available for interest of the Company and its subsidiaries for the immediately preceding three fiscal years shall have been at least equal to two and one-half (2½) times, the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue, and

(b) the consolidated tangible net worth of the Company and its subsidiaries, as at a date not more than ninety (90) days prior to the date of such issue, shall be not less than the aggregate principal amount of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue.

Provided that, for all purposes of the Trust Indenture as amended by the Supplemental Indenture, any Debentures outstanding at the time of any such issue which are to be retired within one (1) week following such time shall be deemed not to be outstanding immediately after such issue, provided that all moneys required to retire such Debentures are paid to the Trustee at such time or the payment of such moneys is provided for to the satisfaction of the Trustee at such time.

Definitions

The Trust Indenture as amended by the Supplemental Indenture contains definitions, among others, of the following terms, certain of which are used above, substantially to the following effect:

"funded obligations" means any debt or obligation payable more than one year after the date of the

creation, issuance, incurring or assumption thereof which, in accordance with generally accepted accounting principles, should be shown on a balance sheet as a liability and any liability (contingent or otherwise) in respect of any guarantee by the Company or any subsidiary of any such indebtedness of any person, firm or corporation other than the Company or a subsidiary; provided that any obligation shall be treated as a funded obligation, regardless of its term, if such obligation is renewable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than one year after the date of the creation, issuance, incurring or assumption of such obligation, or may be payable out of the proceeds of a similar obligation pursuant to the terms of such obligation or of any such agreement; and further provided that when used in the expression "funded obligations" the word "obligations" shall include guarantees, endorsements or other contingent liabilities in connection with the obligations, stock or dividends of any person, other than endorsements in the ordinary course of business of negotiable instruments in the course of collection;

"consolidated funded obligations" of the Company and its subsidiaries means the aggregate amount of all funded obligations of the Company and its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting principles;

"current debt" means any debt for borrowed money or obligation for borrowed money (including notes payable and drafts accepted representing extension of credit whether or not representing obligations for borrowed money) payable on demand or within a period of one year after the date of the creation, issuance, incurring or assumption thereof; provided that when used in the expression "current debt" the word "debt" shall include guarantees, endorsements or other contingent liabilities in connection with the obligations, stock or dividends of any person, other than endorsements in the ordinary course of business of negotiable instruments in the course of collection;

"debt" means funded obligations and current debt;

"consolidated tangible net worth" of the Company and its subsidiaries means the excess of

(a) the sum of (i) the aggregate value stated on the books of the Company of the issued and outstanding capital stock of all classes of the Company, and (ii) the amount of the surplus, whether paid in, capital or earned, of the Company and its subsidiaries (except surplus created through a revaluation of assets provided that an increase or reduction after December 31, 1963 in the value of the investment in International Tools (U.K.) Limited on the books of the Company and/or a subsidiary arising as a result of an increase or reduction in the surplus thereof shall be deemed not to be a revaluation of assets for the purposes hereof),

over

(b) the aggregate book value of all assets of the Company and all its subsidiaries of an intangible nature, determined in accordance with generally accepted accounting principles on a consolidated basis as at a date not more than 90 days prior to the date as of which the determination is being made and after making due allowance for minority interests, if any, in subsidiaries and/or in International Tools (U.K.) Limited;

"consolidated working capital" means the excess of consolidated current assets over consolidated current liabilities of the Company and its subsidiaries, both determined in accordance with generally accepted accounting principles, provided that there shall not be included in current assets any assets located outside (including any amounts payable by persons located outside) Canada or the United States of America (except those where there is reasonable assurance the same are realizable in lawful money of Canada) and provided further that there shall not be included in current assets any loans or advances made by the Company or by any subsidiary other than loans or advances made in the ordinary course of business;

"consolidated net earnings" means consolidated gross revenues of the Company and its subsidiaries less all operating and non-operating expenses of the Company and its subsidiaries including taxes on income and interest paid on funded obligations, but excluding all capital gains and losses, all determined in accordance with generally accepted accounting principles. The net earnings of any subsidiary for the purpose of this definition shall only include such part of the net earnings of such subsidiary calculated as aforesaid as in accordance with generally accepted accounting principles is applicable to those shares of such subsidiary which are held by the Company or by any other subsidiary;

"consolidated net earnings available for interest" of the Company and its subsidiaries means the consolidated net earnings of the Company and all its subsidiaries calculated as provided above except that in calculating consolidated net earnings available for interest taxes on income of the Company and its subsidiaries payable for the period or periods in question and interest on funded obligations of

the Company and its subsidiaries shall not be deducted as operating charges and expenses but there shall be deducted in making such calculation the amount of any dividends received by the Company or any subsidiary during such period or periods from International Tools (U.K.) Limited and the net earnings of International Tools (U.K.) Limited shall, while more than 50% of its outstanding voting shares are owned by the Company and/or a subsidiary be included in computing consolidated net earnings available for interest, provided that the net earnings of International Tools (U.K.) Limited shall only include such part of its net earnings as in accordance with generally accepted accounting principles is applicable to those shares of International Tools (U.K.) Limited which are held by the Company or by a subsidiary; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened, and in making such calculation in connection with a proposed issue of Additional Debentures (but not for any other purpose) the Company shall be deemed to have had completed fiscal years in each of the years 1961, 1962 and 1963 and for such years the consolidated net earnings available for interest (calculated in accordance with the provisions herein contained respecting consolidated net earnings available for interest) of International Tools, Limited (a company incorporated under the laws of the Province of Ontario by letters patent dated the first day of April, 1947) and its subsidiary for their fiscal years ended in such years shall be included as net earnings of the Company and the auditors of the Company may rely upon a report of the auditors of the said International Tools, Limited and its subsidiary with respect to such consolidated net earnings available for interest;

"consolidated net earnings available for restricted payments" means $125,000 plus an amount equal to 100% of consolidated net earnings for the period (taken as one accounting period) commencing on January 1, 1964, and terminating at the end of the last fiscal quarter preceding the date of any proposed restricted payment, (provided that excess compensation payments shall not be included as an expense in computing consolidated net earnings available for restricted payments) less the sum of all restricted payments made after December 31, 1963. The earnings or losses of any subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company (provided that the Company's auditors shall determine the earnings or losses of any subsidiary for the period from the date when such subsidiary became a subsidiary of the Company to the end of the fiscal year of such subsidiary during which it became a subsidiary of the Company);

"subsidiary" means (i) any corporation or company incorporated in and carrying on business in Canada or the United States of America of which 70% or more of the outstanding voting shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary but only so long as 70% or more of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company and (ii) any corporation or company incorporated in and carrying on business in Canada or the United States of America, more than 50% but less than 70% of the outstanding voting shares of which are for the time being owned by or held for the Company and/or any subsidiary of the Company if, but only if, the directors of the Company by resolution determine that such corporation or company shall be deemed to be a subsidiary of the Company and only so long as more than 50% of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company. Any such resolution shall not be revocable and shall be conclusive and binding upon all parties in interest; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened;

"restricted payment" means any one or more of the following:

(i) the payment or declaration of any dividend on any class of shares of the Company or any subsidiary or the making of any other distribution on account of any class of their respective shares;

(ii) the redemption, purchase or other acquisition by the Company, directly or indirectly, of any shares in the capital of the Company in excess of the net cash proceeds to the Company of the issue of any shares in its capital after May 31, 1964;

(iii) the payment of tax on undistributed income under section 105 of the Income Tax Act (Canada) or any section or provision amending such section 105 or substituted therefor; and

(iv) the making of any excess compensation payment;

provided that there shall not be included in any computation of restricted payments:

(a) dividends payable in shares of the Company, or

(b) exchanges of shares of one or more classes of the Company, except to the extent that cash or other value (other than shares) paid out by the Company is involved in such exchange, or

(c) dividends by a subsidiary to the Company or another subsidiary;

"shareholding employee" means and includes any director, officer, employee or agent of the Company or any subsidiary (i) owning, beneficially or of record, directly or indirectly, at any time during any year with respect to which a computation is being made, either individually or together with all persons to whom such director, officer, employee or agent, as the case may be, is related by blood, adoption or marriage, shares of the Company or any subsidiary (of any class or classes having ordinary voting power for the election of directors) aggregating 5% or more of such voting power, or (ii) related by blood, adoption or marriage to any person described in or coming within the provisions of clause (i) of this paragraph; and the term "shareholding employee" shall also include any corporation, other than the Company or any subsidiary, of which at least 5% of its shares (of any class or classes having ordinary voting power for the election of directors) is owned by shareholding employees;

"excess compensation payments" means the excess over $50,000 of the sum of (i) the aggregate amount of all salaries, bonuses and other compensation, exclusive of dividends, paid by the Company and all subsidiaries after December 31, 1963, during any fiscal year to all shareholding employees of the Company or any subsidiary and (ii) the aggregate amount of all management fees or other compensation (other than such fees and compensation paid in respect of bona fide transactions entered into in the ordinary course of business upon terms in the opinion of the directors of the Company no less favourable to the Company or such subsidiaries than would be the case if the relationship mentioned hereunder did not exist), exclusive of dividends, paid by the Company and all subsidiaries during any fiscal year to any corporate shareholder of the Company or any subsidiary if such corporate shareholder holds shares of the Company or any subsidiary (of any class or classes having ordinary voting power for the election of directors) aggregating 5% or more of such voting power, or to any shareholder, director, officer, agent or employee of any such corporate shareholder.

"affiliate" means any corporation or company of which more than 25% of the outstanding voting shares are for the time being owned by or held for:

(i) any person owning, beneficially or of record, directly or indirectly, either individually or together with all other persons to whom such person is related by blood, adoption or marriage, more than 5% of the outstanding voting shares of the Company, or

(ii) any person related by blood, adoption or marriage to any person described or coming within the provisions of clause (i) of this paragraph;

"voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened;

Subsidiary Guarantees

Under the Trust Indenture as amended by the Supplemental Indenture all subsidiaries (as defined) of the Company are required to enter into guarantee agreements with the Trustee guaranteeing payment of all amounts due and to become due on the Secured Debentures Series A, the Secured Debentures Series B and any Additional Secured Debentures issued under the Trust Indenture as amended by the Supplemental Indenture and as the same may be further amended and supplemented. International Tools, Limited, has entered into such a guarantee agreement and prior to the closing of the purchase and sale of the securities offered by this prospectus Palm-N-Turn Company and Reflex Corporation of Canada Limited will enter into such guarantee agreements which contain first (second, in the case of the property at Amherstburg, Ontario, referred to below) mortgages of all real and immoveable properties owned at the time of such guarantee or thereafter acquired and a first floating charge on the undertaking and all other property and assets of the subsidiaries then owned or thereafter acquired subject to an exception as to the last day of the term of any lease or agreement therefor. Hamilton Automotive Trim Limited has not entered into such a guarantee agreement and such default has been waived by the holder of all the Secured Debentures Series A and Secured Debentures Series B. Reflex Corporation of Canada Limited has mortgaged in the approximate amount of $250,000 to Woodall Construction Limited real and immoveable property owned by Reflex Corporation of Canada Limited at Amherstburg, Ontario and the payment of all sums due thereunder and the performance of all the covenants thereunder has been guaranteed by the Company.

Additional Secured Debentures

Under the Trust Indenture dated as of June 1, 1964 as amended by the Supplemental Indenture of December 1, 1965, the Company is permitted to issue Additional Debentures equally secured with the Secured Debentures Series A and Secured Debentures Series B on compliance with and subject to the provisions of paragraphs D, E and F appearing on page 31 of this prospectus.

Sinking Fund For Secured Debentures Series B

Under the Trust Indenture dated as of June 1, 1964 as amended by the Supplemental Indenture of December 1, 1965, the Company covenanted to establish a sinking fund for the exclusive benefit of the holders of the Secured Debentures Series B by paying to the Trustee, so long as any of the Secured Debentures Series B should be outstanding and subject to certain sinking fund credits with respect to Secured Debentures Series B purchased in the market or by private contract, an amount sufficient to retire sinking fund moneys $30,000 aggregate principal amount of Secured Debentures Series B on December 15 in each of the years 1966 to 1984 inclusive, pursuant to the said sinking fund and $30,000 aggregate principal amount of the Secured Debentures Series B originally issued have been retired and cancelled.

Sinking Fund For Secured Debentures Series A

Under the Trust Indenture dated as of June 1, 1964 the Company covenanted to establish a sinking fund for the exclusive benefit of the holders of the Secured Debentures Series A by paying to the Trustee, so long as any of the Secured Debentures Series A should be outstanding and subject to certain sinking fund credits with respect to Secured Debentures Series A purchased in the market or by private contract, an amount sufficient to retire sinking fund moneys $50,000 aggregate principal amount of Secured Debentures Series A on June 15 in each of the years 1965 to 1983 inclusive, pursuant to the said sinking fund and $100,000 aggregate principal amount of the Secured Debentures Series A originally issued have been retired and cancelled.

Redemption of Secured Debentures Series B

Under the Trust Indenture dated as of June 1, 1964 as amended by the Supplemental Indenture of December 1, 1965, the Company has the right at its option to redeem the Secured Debentures Series B prior to maturity at any time in whole or from time to time in part under not less than thirty days prior notice on the following basis: (i) out of sinking fund moneys at the principal amount thereof; and (ii) otherwise than out of sinking fund moneys at the option of the Company, at the principal amount thereof plus a premium of 6.50% of such amount if redeemed on or before December 15, 1966, such premium thereafter decreasing .325 of 1% of such principal amount for each year commenced or elapsed after December 15, 1966 to the date specified for redemption up to and including the year commencing December 15, 1983 and after December 15, 1984 and prior to maturity at .325% of the principal amount thereof; together in all cases with accrued interest to the date specified for redemption. The Company may not, prior to December 15, 1975, redeem Secured Debentures Series B (otherwise than out of sinking fund moneys or up to $30,000 aggregate principal amount on December 15 in each of the years 1971 to 1975) by the application, directly or indirectly, of borrowed funds having an interest cost of less than 6½% per annum or repayable (with certain exceptions) earlier than December 15, 1985.

Redemption of Secured Debentures Series A

Under the Trust Indenture dated as of June 1, 1964 the Company has the right at its option to redeem the Secured Debentures Series A prior to maturity at any time in whole or from time to time in part under not less than thirty days prior notice on the following basis: (i) out of sinking fund moneys at the principal amount thereof; and (ii) otherwise than out of sinking fund moneys at the option of the Company, at the principal amount thereof plus a premium of 6.20% of such amount if redeemed on or before June 15, 1965, such premium thereafter decreasing .3 of 1% of such principal amount for each year commenced or elapsed after June 15, 1965 to the date specified for redemption up to and including the year commencing June 15, 1982 and after June 15, 1983 and prior to maturity at .5% of the principal amount thereof; together in all cases with accrued interest to the date specified for redemption. The Company may not prior to June 15, 1974, redeem Secured Debentures Series A (otherwise than out of sinking fund moneys or up to $50,000 aggregate principal amount on June 15 in each of the years 1970 to 1974) by the application, directly or indirectly, of borrowed funds having an interest cost of less than 6.20% per annum or repayable (with certain exceptions) earlier than June 15, 1984.

SCHEDULE B

The Preference Shares with a par value of $25 each (hereinafter called "Preference Shares") in the capital of the Company have attached thereto, as a class, preferences, rights, conditions, restrictions, limitations and prohibitions substantially as follows:

(a) The Preference Shares may at any time or from time to time be issued in one (1) or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors; the directors of the Company may (subject as hereinafter provided) by resolution fix from time to time before the issue thereof the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the Preference Shares of each series including, without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, conversion rights (if any) and any sinking fund or other provisions, the whole subject to the issue of Supplementary Letters Patent setting forth the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the Preference Shares of such series;

(b) The Preference Shares of each series shall be entitled to preference over the Common Shares of the Company, and over any other shares ranking junior to the Preference Shares, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs and may also be given such other preferences over the Common Shares of the Company and any other shares ranking junior to the Preference Shares as may be determined as to the respective series authorized to be issued;

(c) The Preference Shares of each series shall rank on a parity with the Preference Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs; no series of Preference Shares shall be authorized which shall have a dividend rate in excess of seven per cent (7%) per annum on the amounts from time to time paid up thereon or be entitled to receive upon liquidation, dissolution or winding up or upon redemption a sum in excess of one hundred and ten per cent (110%) of the amounts paid up thereon plus a sum equivalent to all unpaid dividends accumulated thereon;

(d) The holders of the Preference Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless and until the Company from time to time shall fail to pay in the aggregate eight (8) quarterly dividends on the Preference Shares of any one (1) series on the dates on which the same should be paid according to the terms thereof and unless and until eight (8) quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the Preference Shares of any series remain in arrears the holders of the Preference Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each Preference Share held and in addition shall be entitled, voting separately and exclusively as a class, to elect two (2) members of the board of directors of the Company if the board consists of seven (7) or fewer directors or three (3) members of the board of directors if the board consists of more than seven (7) directors; nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors;

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be directors of the Company at any time when the right to elect directors shall accrue to the holders of Preference Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect directors upon not less than twenty (20) days' written notice and which shall be called by the secretary of the Company upon the written request of the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares; in default of the calling of such general meeting by the secretary within five (5) days after the making of such request, such meeting may be called by any holder of record of Preference Shares;

Any vacancy or vacancies occurring among members of the board elected by the holders of Preference Shares, voting separately and exclusively as a class, in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected by the holders of Preference Shares, voting separately and exclusively as a class, but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preference Shares to fill the vacancy or vacancies; whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-tenth (1/10) of the outstanding Preference Shares shall have the right to require the secretary of the Company to call a meeting of the holders of Preference Shares for the purpose of filling the vacancy or vacancies or replacing all or any of the persons elected or appointed to fill such vacancy or vacancies and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting;

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the said right to elect directors, the term of office of the directors elected or appointed to represent the holders of Preference Shares exclusively shall forthwith terminate and (ii) the holding of One (1) Preference Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of Preference Shares exclusively; and

(e) The authorization required by subsection 4 of section 33 of The Corporations Act to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Preference Shares as a class or to create preference shares ranking in priority to or on a parity with the Preference Shares may be given by at least two-thirds (⅔) of the votes cast at a meeting of the holders of the Preference Shares duly called for that purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Preference Shares are present or represented by proxy; if at any such meeting the holders of a majority of the outstanding Preference Shares are not present or represented by proxy within one-half (½) an hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and not less than fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (⅔) of the votes cast at such meeting shall constitute the authorization of the holders of the Preference Shares referred to above; the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Company with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Preference Shares shall be entitled to one (1) vote in respect of each Preference Share held.

The first series of the said class of Preference Shares consisted of 50,000 shares (49,000 shares now being outstanding) with a par value of $25 each (hereinafter referred to as the "Series A Preference Shares") designated "6½% Cumulative Redeemable Preference Shares, Series A" and, in addition to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Preference Shares as a class, having attached thereto preferences, rights, conditions, restrictions, limitations and prohibitions substantially as follows:

(1) The holders of the Series A Preference Shares shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of six and one-half per cent (6½%) per annum payable quarterly on the first days of January, April, July and October in each year on the amounts from time to time paid up thereon; such dividends shall accrue from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined then from the date of allotment; cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of such dividends; if on any dividend payment date the dividend payable on such date is not paid in full on all the Series A Preference Shares then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient moneys properly applicable to the payment of the same;

(2) In the event of the liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs the holders of the Series A Preference Shares shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which such dividends have been paid up to the date of distribution) before any amount shall be paid or any property or assets of the Company distributed to the holders of any Common Shares or shares of any other class ranking junior to the Series A Preference Shares; after payment to the holders of the Series A Preference Shares of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company;

(3) No dividends shall at any time be declared or paid upon or set apart for payment on any shares of the Company ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Company ranking junior to the Preference Shares nor shall the Company call for redemption or purchase for cancellation or reduce or otherwise pay off any of the Preference Shares (less than the total amount then outstanding) or any shares of the Company ranking junior to the Preference Shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the Preference Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment off;

(4) Subject to the provisions of clause (3) hereof, the Company may at any time or times purchase (if obtainable) for cancellation all or any part of the Series A Preference Shares outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the Series A Preference Shares outstanding at the lowest price or prices at which, in the opinion of the directors, such shares are obtainable but not exceeding the price at which, at the date of purchase, such shares are redeemable as provided in clause (5) hereof (including accrued and unpaid preferential dividends as provided in the said clause (5)) plus costs of purchase; if upon any invitation for tenders under the provisions of this clause the Company shall receive tenders of Series A Preference Shares at the same lowest price which the Company may be willing to pay in an aggregate number greater than the number for which the Company is prepared to accept tenders, the Series A Preference Shares so tendered which the Company determines to purchase at such price shall be purchased as nearly as may be pro rata (disregarding fractions) according to the number of Series A Preference Shares so tendered by each of the holders of Series A Preference Shares who submitted tenders at the said same lowest price;

(5) Subject to the provisions of clause (3) hereof, the Company may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding Series A Preference Shares on payment for each share to be redeemed of the amount paid up on such share together with all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if the dividends on the Series A Preference Shares were accruing for the period from the expiration of the last quarterly period for which such dividends have been paid up to the date of such redemption);

(6) In any case of redemption of Series A Preference Shares under the provisions of clause (5) hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Series A Preference Shares to be redeemed a notice in writing of the intention of the Company to redeem such Series A Preference Shares; such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Series A Preference Shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Series A Preference Shares to be redeemed the redemption price on

presentation and surrender at the head office of the Company or any other place within Canada designated in such notice of the certificates representing the Series A Preference Shares so called for redemption; such payment shall be made by cheques payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted); if a part only of the Series A Preference Shares represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company; from and after the date specified for redemption in any such notice, the Series A Preference Shares called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Company shall have the right at any time after the mailing of notice of its intention to redeem any Series A Preference Shares as aforesaid to deposit the redemption price of the Series A Preference Shares so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such Series A Preference Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the Series A Preference Shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Company;

(7) Subject as hereinafter provided, so long as any of the Series A Preference Shares are outstanding the Company shall on or before the first day of March in each year, commencing with the year 1966, set aside as a purchase fund for the purchase of Series A Preference Shares for cancellation the sum of Twenty-five Thousand dollars ($25,000); provided that if under the foregoing provisions the Company would be required to set aside in any year for purchase fund purposes an amount which when added to the amounts theretofore set aside as a purchase fund in respect of the Series A Preference Shares and not used or applied on or before the first day of February in such year for the purposes hereinafter provided would aggregate an amount in excess of One Hundred Thousand dollars ($100,000) then the Company in such year shall only be required to set aside for purchase fund purposes an amount which when added to the said amounts theretofore set aside and not used or applied as aforesaid will equal One Hundred Thousand dollars ($100,000);

Subject to the provisions of clause (3) hereof and as hereinafter in this clause provided, the amounts from time to time set aside as a purchase fund in respect of the Series A Preference Shares shall be applied as soon as practicable to the purchase of Series A Preference Shares (if obtainable) in the market at the lowest price or prices at which in the opinion of the directors such shares are obtainable but not exceeding an amount equal to the amount paid up thereon plus costs of purchase; to the extent to which Series A Preference Shares cannot be so purchased at prices not exceeding the said price the Company shall not be obligated to make any application of the purchase fund in the purchase of Series A Preference Shares but shall reserve the same until such shares in the opinion of the directors can be so purchased and so on from time to time so long as any of the Series A Preference Shares shall be outstanding; any moneys set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from other moneys of the Company and pending the application thereof in the purchase of Series A Preference Shares in accordance with the provisions of this clause (7) may be employed in the business of the Company; notwithstanding the foregoing the Company may at any time reduce or extinguish the purchase fund or anticipate the whole or any part of its purchase fund obligations by purchasing or redeeming Series A Preference Shares as provided in clauses (4) and (5) hereof and charging or crediting the cost of, or amount required to redeem, such Series A Preference Shares to reduce or extinguish the purchase fund or in reduction of any purchase fund obligations thereafter becoming due;

Notwithstanding anything herein contained the Company shall not purchase Series A Preference Shares out of the purchase fund or make any application of the purchase fund in the purchase of Series A Preference Shares if after giving effect to such purchase the aggregate amount declared and/or paid subsequent to the incorporation of the Company as dividends (other than in shares of the Company) on all shares

of all classes of the Company and distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to the incorporation of the Company in respect of all shares of all classes of the Company will be greater than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to the thirty-first day of December, A.D. 1963, plus the net cash proceeds to the Company of the issue after the first day of March, A.D. 1964, of any of its shares;

"Consolidated net earnings available for dividends" of the Company and its subsidiaries means all the gross earnings and income of the Company and all its subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and all its subsidiaries (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice; without limiting the generality of the foregoing, operating charges and expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are chargeable to capital account in accordance with generally accepted accounting practice), rentals, licences, taxes (including taxes on income), all interest, such provisions or allowances for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine and, in addition to actual expenditures for maintenance, reasonable allowance for depreciation; provided that the net earnings of any subsidiary for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary calculated as aforesaid as under generally accepted accounting practice is applicable to those shares of such subsidiary which are held by the Company or any other subsidiary, that the earnings or losses of any subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company and that the Company's auditors shall determine the earnings or losses of any subsidiary for the period from the date when such subsidiary became a subsidiary of the Company to the end of the fiscal year of such subsidiary during which it became a subsidiary of the Company;

"Subsidiary" means (a) any corporation or company of which all the outstanding shares of each class of its shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary; and (b) any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are for the time being owned by or held for the Company and/or any subsidiary of the Company if but only if the directors of the Company by resolution (passed either before or after fifty per cent (50%) of the outstanding voting shares of such corporation or company become owned by or held for the Company and/or any subsidiary of the Company) determine that such corporation or company shall be deemed to be a subsidiary of the Company and only so long as more than fifty per cent (50%) of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company; any such resolution shall not be revocable and shall be conclusive and binding upon all parties in interest; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened; if by reason of any such resolution any corporation or company (hereinafter called a "deemed subsidiary") is deemed to be a subsidiary of the Company then any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are or shall at any time be owned by or held for a deemed subsidiary and/or any other corporation or company in like relation to a deemed subsidiary shall be deemed to be a subsidiary of the Company and any other corporation or company in like relation to such a corporation or company shall also be deemed to be a subsidiary of the Company.

For the purposes of this clause (7) and of clause (8) hereof and subject to the foregoing provisions hereof the directors of the Company may from time to time determine the consolidated net earnings available for dividends of the Company and its subsidiaries as of a date not more than ninety (90) days prior to the making of such determination and may determine such consolidated net earnings available for dividends to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its subsidiaries and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company and its subsidiaries and/or the last available unaudited balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable; provided that the directors shall not make any such determination

on the basis of any such balance sheet, statement, report or other data if to their knowledge any event has happened which would materially and adversely affect such consolidated net earnings available for dividends as determined on such basis; upon any determination having been made by the directors under the foregoing provisions the consolidated net earnings available for dividends of the Company and its subsidiaries as at any date within a period of ninety (90) days following the date as of which such determination is made (unless any further determination of such consolidated net earnings available for dividends is so made within the said period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class;

(8) So long as any of the Series A Preference Shares are outstanding the Company shall not

(i) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on any of its shares at any time outstanding and ranking junior to the Series A Preference Shares; or

(ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding and ranking junior to the Series A Preference Shares (except out of the proceeds of an issue of shares ranking junior to the Series A Preference Shares made at any time after the first day of March, A.D. 1964, and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or

(iii) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions

unless immediately after giving effect to such action the aggregate amount

(a) declared and/or paid subsequent to the incorporation of the Company as dividends (other than stock dividends in shares of the Company ranking junior to the Series A Preference Shares) on all shares of all classes of the Company; and

(b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to the incorporation of the Company in respect of all shares (other than Preference Shares) of all classes of the Company; and

(c) elected to be paid as tax as mentioned in subdivision (iii) immediately preceding

will not be more than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to the thirty-first day of December, A.D. 1963, determined in the manner hereinbefore provided, plus the net cash proceeds to the Company of the issue after the first day of March, A.D. 1964, of any shares of its capital ranking junior to the Series A Preference Shares;

(9) The Company shall not issue any Preference Shares in excess of the Fifty Thousand (50,000) Series A Preference Shares without the prior approval of the holders of the Series A Preference Shares given as hereinafter specified unless the average annual consolidated net earnings available for dividends of the Company and its subsidiaries for the two (2) completed fiscal years next preceding the date of issuance have been at least equal to three (3) times the annual dividend requirements on all the Preference Shares to be outstanding immediately after such issue; a report of the Company's auditors for the time being as to whether the Company is or is not entitled to issue any Preference Shares without the prior approval aforesaid shall be conclusive and binding on the Company and the holders of shares of every class;

"Consolidated net earnings available for dividends" as used in this clause (9) means the consolidated net earnings available for dividends of the Company and its subsidiaries calculated as provided in clause (7) hereof except that in calculating consolidated net earnings available for dividends in connection with a proposed issue of Preference Shares (but not for any other purpose) the Company shall be deemed to have had completed fiscal years in each of the years 1962 and 1963 and for such years the consolidated net earnings available for dividends (calculated in accordance with the provisions herein contained respecting consolidated net earnings available for dividends) of International Tools, Limited (a company incorporated under the laws of the Province of Ontario by letters patent dated the first day of April, A.D. 1947,) and its subsidiary for their fiscal years ended in such years shall be included as net earnings of the Company and the auditors of the Company may rely upon a report of the auditors of the said International Tools, Limited and its subsidiary with respect to such consolidated net earnings available for dividends;

(10) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the Preference Shares without the approval of the holders of the Series A Preference Shares given as herein-

after specified nor shall the authorized amount of Preference Shares be increased without such approval; provided that nothing in this clause (10) contained shall prevent the Company from issuing additional series of the authorized Preference Shares without such approval;

(11) The provisions hereof contained in clauses numbered (1) to (12) both inclusive and clauses lettered (a) to (e) both inclusive or any of them may be deleted, varied, modified, amended or amplified by Supplementary Letters Patent but only with the approval of the holders of the Series A Preference Shares given as hereinafter specified, in addition to any vote or authorization required by The Corporations Act; and

(12) The approval of holders of the Series A Preference Shares as to any and all matters referred to herein (in addition to or as distinct from any vote or authorization required by The Corporations Act) may be given by resolution passed at a meeting of the holders of the Series A Preference Shares duly called and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Series A Preference Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than two-thirds (⅔) of the Series A Preference Shares represented and voted at such meeting cast on a poll; if at any such meeting the holders of a majority of the outstanding Series A Preference Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of Series A Preference Shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of the holders of not less than two-thirds (⅔) of the Series A Preference Shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Series A Preference Shares referred to above; the formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of Series A Preference Shares shall be entitled to one (1) vote in respect of each Series A Preference Share held;

Any authorization required by subsection 4 of section 33 of The Corporations Act may be given by at least two-thirds (⅔) of the votes cast at a meeting of the holders of the Series A Preference Shares duly called for that purpose.

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